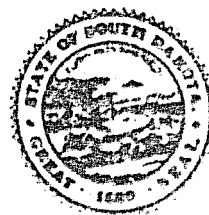




South Dakota Public Utilities Commission

State Capitol Building, 500 East Capitol Avenue, Pierre, South Dakota 57501-5070



October 4, 1996

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Re: Docket No. TC96-107

Dear Counsel:

Enclosed you will find copies of Testimony of Gregory Rislov, Harlan Best and Robert Knadle in the above captioned matter. This is intended as service upon you by facsimile.

Very truly yours,

Karen E. Cremer
Karen E. Cremer
Staff Attorney

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CERTIFICATE OF SERVICE
DOCKET NO. TC96-107

I hereby certify that copies of the Testimony of Gregory Rislov, Harlan Best and Robert Knadle were served on the following by facsimile on this the 4th day of October, 1996.

See attached Exhibit A.

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RECEIVED

1996

SOUTH DAKOTA PUBLIC
UTILITY COMMISSION

BEFORE THE
PUBLIC UTILITIES COMMISSION
STATE OF SOUTH DAKOTA

IN THE MATTER OF THE ESTABLISHMENT
OF SWITCHED ACCESS RATES FOR U S
WEST COMMUNICATIONS, INC.

DOCKET NO. TC96-107
TESTIMONY OF GREGORY A. RISLOV
ON BEHALF OF THE COMMISSION STAFF
OCTOBER, 1996

EXHIBIT

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6

BEFORE THE
PUBLIC UTILITIES COMMISSION
STATE OF SOUTH DAKOTA

IN THE MATTER OF THE ESTABLISHMENT
OF SWITCHED ACCESS RATES FOR
U S WEST COMMUNICATIONS, INC.,

Docket No. TC96-107
Testimony of Gregory A. Rislov
On Behalf of the Commission Staff
October 1996

1 Q Please state your name, address, and present position.

2 A My name is Gregory A. Rislov; my business address is: Public Utilities
3 Commission (PUC), State Capitol Building, Pierre, S.D. 57501; I am currently
4 employed as director of the Fixed Utilities Division of the PUC.

5 Q What is your educational background and experience?

6 A I graduated in 1976 from the University of South Dakota in Vermillion with a
7 Bachelor of Science degree in Business Administration, majoring in Accounting.
8 In 1980 I received a Master of Business Administration degree from the same
9 institution. I began work with the PUC as a utility analyst in July, 1976. I was
10 named Director of the Fixed Utilities Division in April of 1984. Although the main
11 focus of my work has been statutorily prescribed analysis of utility operations and
12 administration of rate cases and other dockets, I also become involved in general
13 and policy matters related to utility regulation. I have testified before Senate,
14 House, and various interim legislative committees on a variety of matters with a

1 potential affect on rates and costs of service. I have appeared before the public,
2 when directed by the Commissioners, on behalf of the PUC.

3 Q Have you previously testified before this Commission?

4 A Yes, in approximately fifty major electric, natural gas, and telecommunications
5 dockets. I have participated in many dockets where settlement was reached with
6 no need for testimony preparation.

7 Q What is the purpose of your testimony in this proceeding?

8 A I will discuss staff's filing in general, and will make recommendation with regard
9 to several specific issues.

10 **BACKGROUND ON COST OF SERVICE**

11 Q What test year was employed?

12 A The year ended December 31, 1995.

13 Q What was the general format of USWC's filing?

14 A USWC filed on a per books basis with the following major categories of
15 adjustment:

- 16 1. Both the "per books" data and adjustments were adjusted to reflect the
17 sale of exchanges;
- 18 2. USWC labelled certain adjustments as "accounting adjustments."
19 These adjustments were made to incorporate Commission precedent;
- 20 3. USWC made certain "out of period" adjustments; and

1 4. USWC constructed various "pro forma" adjustments.

2 Q Has staff accepted USWC's proposed adjustments?

3 A Staff has agreed with most of the USWC adjustments. Even so, there are
4 several adjustments with which staff does not agree, and there are several more
5 which have required corrected or updated numbers.

6 Q Is it unusual for staff to have comparatively little disagreement in a matter of this
7 magnitude?

8 A Under usual circumstances, in a general rate case filing, there may have been
9 more issues in contention.

10 Q What circumstances cause this filing to be unusual?

11 A In January of this year the Commission approved a settlement between USWC
12 and staff in Docket TC94-121. TC94-121 included a comprehensive cost of
13 service review. USWC's current filing for the most part was consistent with the
14 settlement reached on the TC94-121 issues.

15 Q Does staff normally use a settlement position as a basis for development of a
16 subsequent cost of service?

17 A Each circumstance requires its own explanation. In this case the explanation is
18 comparatively simple. The TC94-121 Settlement was not limited to cost of
19 service issues. Although the Settlement reflected movement on both USWC's

1 and staff's part, the cost of service was predominantly developed on staff
2 recommendations. The USWC-filed cost of service in this docket therefor
3 reflects staff recommendations in TC94-121 which were approved by the
4 Commission.

5 This Commission and the rules prescribe a historical test year which may be
6 adjusted for known and measurable changes. The key to developing a cost of
7 service is the appropriateness of adjustments to reflect those changes. It is not
8 a function solely relegated to the filing utility, intervenors, or the staff.

9 Appropriate adjustment can be made by any party. USWC adjustments
10 unopposed by staff as well as staff adjustments comply with the known and
11 measurable standard.

12 Q Does staff agree with the entirety of USWC's filed cost of service in this docket?

13 A No. Staff is recommending a number of changes which include both
14 adjustments and corrections. Staff Witnesses Knadle and I will address various
15 cost of service issues. Staff Witness Best is responsible for verifying the
16 correctness of the inputs and compliance with the access rules. Staff Witness
17 Best shall also be responsible for the exhibits which develop the cost of service
18 and rates. I shall therefor make recommendations to Staff Witness Best for
19 incorporation into his exhibits.

20 COST OF SERVICE ADJUSTMENTS

1 Q What adjustments do you recommend be made to USWC's filed cost of service?

2 A 1) USWC should not be allowed to include "Pension Asset" in rate base.

3 2) Any portion of the "1994 Federal Tax True-up" which is short-term in nature
4 should be removed as an adjustment to rate base.

5 3) Remove the reconciliation reserve reversal.

6 4) Return on equity should be set at 11.5%, which was the rate used in TC94-
7 121.

8 Q What is the "pension asset?"

9 A The pension asset results from pension funding being in excess of pension
10 expense. In essence USWC is asking for this excess funding to be considered
11 the same as an investment in plant - as a capital outlay furnished by
12 shareholders for the benefit of ratepayers.

13 Q Does overfunding benefit ratepayers?

14 A One could hypothesize benefit or disbenefit based on time value of money
15 analyses or possibly interperiod ratepayer cost responsibilities. Either way, I
16 don't see a supposed measure of ratepayer benefit being the issue.

17 Q What is or are the issue(s)?

18 A This Commission should not be constrained to mere acceptance of USWC's
19 pension funding efforts. If the approved labor costs include an accepted level of
20 pension expense, the rates should reflect that expense absent further

1 Commission directives. I understand the FCC considers both underfunding and
2 overfunding in rate base, and I can in an intuitive sense understand why they do
3 so. But I also know this Commission has not directed any approach to either
4 under- or overfunding. Given this circumstance, I don't believe USWC's request
5 is appropriate for South Dakota ratemaking.

6 Q What is the "1994 Federal Tax True-up?"

7 A USWC must estimate, accrue, and pay estimated taxes during the year. When
8 actual taxes are determined, the estimate which has been accrued on the books
9 must be "trued-up" with the actual taxes.

10 Q Why do you take issue with this true-up process?

11 A The true-up was not completed until November of 1995, and at that point USWC
12 recorded all related tax adjustments on their books. One adjustment affected the
13 balance of the deferred tax reserve. In this instance the reserve balance was
14 reduced by the true-up effect. This true-up effect is short-term in nature as it
15 arises due to the difference between accruals of estimated versus actual taxes.
16 This Commission has in the past ruled that these short-term turnarounds should
17 not become part of the rate base calculation.

18 Q Why did the Commission exclude reserve adjustments related to the short-term
19 turnaround of estimated versus actual taxes?

20 A The deferred reserve arises because of tax-timing differences between per

1 books and per tax return results. Differing expense levels for items such as
2 depreciation are commonly understood to lead to the tax-timing differences.
3 Simply stated, when the tax deduction differs from the book expense, a tax-
4 timing differential arises. This difference is carried in the deferred reserve until
5 the difference has been amortized. However, the deferral arising from the
6 difference between estimated and actual tax bears little practical resemblance to
7 the depreciation tax-timing difference. It is short-term. It is subject to annual
8 variation. It annually changes. It should not be locked into the deferred reserve
9 for ratemaking purposes.

10 Q Why have you recommended elimination of the reconciliation reserve reversal?

11 A USWC informed us that "...this reconciliation is an ongoing process and no out-
12 of-period adjustment is necessary." It appears the same logic applied to the
13 1994 federal tax true-up adjustment applies here.

14 Q What are you recommending as the proper return on equity?

15 A I stated earlier an 11.5% equity return should be used to determine cost of
16 capital.

17 Q What equity return appears in the USWC cost of service?

18 A USWC Witness Culp incorporated a 12.8% return on equity.

19 Q Why are you recommending a rate below USWC's request?

1 A Several reasons. The Settlement in Docket TC94-121 reflected an 11.5% return
2 on equity, and as that docket was completed just this past January, the 11.5%
3 should still be fairly representative.

4 Q How did staff determine 11.5% to be reasonable?

5 A We have resolved several major dockets in the past two years. Throughout this
6 time we maintained contact with the consultant who was hired to perform rate of
7 return analyses. The return recommendations have always reflected his input.

8 Q Do you have any specific comments regarding USWC's requested return?

9 A It should be noted that USWC's internally generated estimates consider both
10 discounted cash flow and capital asset pricing model analysis, along with
11 comparability studies. This Commission has routinely adopted results based
12 upon discounted cash flow and comparable earnings tests. It should also be
13 noted that USWC operates in a variety of states under differing regulatory
14 standards and policies. Overall U S WEST studies may or may not reflect an
15 appropriate South Dakota allowable equity return.

16 Q I have no further questions.

RECEIVED

OCT 14 1996

SOUTH DAKOTA
PUBLIC UTILITIES COMMISSION

BEFORE THE
PUBLIC UTILITIES COMMISSION
STATE OF SOUTH DAKOTA

IN THE MATTER OF THE ESTABLISHMENT
OF SWITCHED ACCESS RATES FOR U S
WEST COMMUNICATIONS, INC.

DOCKET NO. TC96-107
TESTIMONY OF ROBERT L. KNADLE
ON BEHALF OF THE COMMISSION STAFF
OCTOBER, 1996

EXHIBIT

349

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BEFORE THE
PUBLIC UTILITIES COMMISSION
STATE OF SOUTH DAKOTA

IN THE MATTER OF THE ESTABLISHMENT
OF SWITCHED ACCESS RATES FOR U S
WEST COMMUNICATIONS, INC.

DOCKET NO. TC96-107

TESTIMONY OF ROBERT L. KNADLE
ON BEHALF OF THE COMMISSION STAFF
OCTOBER, 1996

1 Q Please state your name, business address and current position.

2 A My name is Robert L. Knadle and my business address is Public Utilities Commission.

3 State Capitol Building, Pierre, South Dakota 57501. I am presently employed as a utility
4 analyst with the Fixed Utilities Division of the Public Utilities Commission.

5 Q Please describe your educational background and experience.

6 A I have been with the Public Utilities Commission since March of 1980. I received a
7 Bachelor of Science Degree in Commercial Economics from South Dakota State
8 University in December of 1979. I have attended a number of seminars and workshops
9 on utility related matters since my employment with the Commission.

10 Q Have you previously presented testimony before this Commission?

11 A Yes. I have presented written and oral testimony and exhibits on numerous occasions
12 before this Commission primarily on electric and natural gas matters.

13 Q Are you familiar with U S WEST's application for the establishment of switched access

1 rates in South Dakota?

2 A Yes. I have reviewed the Company's prefiled testimony, exhibits, working papers and
3 data responses that were supplied by U S WEST at the request of Commission Staff.

4 Q What is the purpose of your testimony in this proceeding?

5 A I shall comment and make recommendations to Staff Witness Best regarding the
6 following U S WEST adjustments to operating income. My recommendations are based
7 from U S WEST's 1995 actual cost of service.

8
9 1. Property tax

10 2. AT&T rebate

11 3. Inflation

12 4. Wages and employee levels

13 5. Interest synchronization

14 Q What is your recommendation with regard to U S WEST's property tax adjustment?

15 A U S WEST's adjustment removes the impact of a property tax entry made in December of
16 1995 related to tax years 1994 and before. Staff has requested and received from the
17 Company via FAX on October 1, 1996, the actual property tax paid for the test year. My
18 recommendation would be to adjust the property taxes booked during the test year to
19 reflect the actual 1995 property taxes paid the following year. The effect of this
20 recommendation would be to replace the Company's proposed adjustment of \$858,000
21 (total state amount) or \$590,000 (intrastate amount) with \$630,000 (total state amount) or

1 \$433,000 (intrastate amount).

2 Q Could you explain U S WEST's proposed adjustment for the AT&T rebate?

3 A The AT&T volume purchase rebate agreement provided that, with the purchase of
4 specified levels of software, AT&T would rebate a percentage of those purchase dollars.
5 AT&T provided a volume purchase rebate to the Company that was recognized in June
6 1995. The Company's adjustment purports to remove the portion of the rebate not
7 applicable to the test year. Staff received additional data on the adjustment via FAX on
8 September 27, 1996. The data indicated that the adjustment was calculated incorrectly.
9 The amount should be a \$56,000 (total state amount) credit or a \$37,000 (intrastate
10 amount) credit instead of \$139,000 (total state amount) or \$91,000 (intrastate amount). I
11 would recommend that Staff Witness Best incorporate the corrected amount in his
12 exhibits.

13 Q Has U S WEST proposed an adjustment for inflation?

14 A Yes. The Company has presented an adjustment that applies one-half of the percentage
15 increase in the consumer price index to test year operation and maintenance expenses not
16 otherwise adjusted. The adjustment is consistent with court precedent. I have reviewed
17 the adjustment and recommend that it be accepted.

18 Q Has U S WEST proposed an adjustment for interest synchronization?

19 A Yes.

20 Q Please explain what the adjustment accomplishes.

1 A Interest synchronization is an iterative process to synchronize the tax deduction for
2 interest on debt with proforma rate base and the rate of return determination.

3 Q What is your recommendation in regard to this adjustment?

4 A I recommend that Staff Witness Best incorporate this adjustment into the cost of service.
5 The adjustment should reflect Staff's proforma rate base and rate of return
6 recommendation and be calculated in the same manner as was done by U S WEST.

7 Q Please explain U S WEST's proposed adjustments for wage increases and employee
8 levels.

9 A The Company has annualized salary increases during the test year for management and
10 occupational employees and has adjusted the test year expense level to include wage
11 increases granted on May 1, 1996, for management employees and January 1, 1996, for
12 occupational employees. The Company has adjusted test year employee levels to reflect
13 the levels as of December 31, 1995, to account for any changes in work force that the
14 Company has experienced as was done in prior dockets.

15 Q What is your recommendation in regard to the above-mentioned adjustments?

16 A I recommend that U S WEST's proposed adjustments for wage increases and employee
17 levels should be considered in the cost of service because they are known and measurable
18 changes and such adjustments should match test year costs with related revenues and
19 investment. Staff has also reviewed the Company's employee levels through August of
20 1996, but will not propose any further adjustment.

1 Q Does this conclude your testimony at this time?

2 A Yes.

BEFORE THE
PUBLIC UTILITIES COMMISSION
STATE OF SOUTH DAKOTA

RECEIVED

SOUTH DAKOTA PUBLIC
UTILITY COMMISSION

IN THE MATTER OF THE ESTABLISHMENT OF)
SWITCHED ACCESS RATES FOR U S WEST)
COMMUNICATIONS, INC.)

TC96-107

Testimony Of Harlan Best
On Behalf of the Commission Staff

October 4, 1996

EXHIBIT

355

4

BEFORE THE
PUBLIC UTILITIES COMMISSION
STATE OF SOUTH DAKOTA

IN THE MATTER OF THE ESTABLISHMENT OF)
SWITCHED ACCESS RATES FOR U S WEST)
COMMUNICATIONS, INC.)

TC96-107

Testimony of Harlan Best
On Behalf of the Commission Staff
October 4, 1996

1 Q Please state your name and business address.

2 A My name is Harlan D. Best. My business address is the State Capitol Building.
3 Pierre, South Dakota 57501.

4 Q What is your education and work experience?

5 A I graduated from the University of South Dakota in May of 1975 with a Bachelor
6 of Science degree in Business Administration, majoring in Accounting. I received
7 my public accountant's license in July of the same year. I commenced
8 employment with the South Dakota Public Utilities Commission (Commission) in
9 October of 1975 as a utility analyst. I was named Deputy Director of the Fixed
10 Utilities Division in April of 1987. I have attended a number of seminars and
11 workshops on utility related matters since my employment with the Commission.

12 Q Have you previously presented testimony before this Commission?

1 A Yes. I have presented written and oral testimony and exhibits on numerous
2 occasions before this Commission primarily on telecommunications, but also on
3 electricity issues.

4 Q What is the purpose of your testimony?

5 A The purpose of my testimony is to give my opinion to the Commission, based on
6 ARSD 20:10:27 to 20:10:29, if U S WEST Communications' (USWC) switched
7 access cost study submitted in this docket satisfies the requirements of the
8 administrative rules and should be approved by the Commission.

9 Q In your capacity as an analyst for the Commission, did you review the application
10 for switched access rates submitted by USWC?

11 A Yes.

12 Q When did USWC file its application to revise its switched access rates?

13 A The application from USWC was received by the Commission on June 24, 1996.

14 Q Can you describe the process that you went through to analyze the application?

15 A The initial step was to verify the expenses and rate base for the test period ending
16 December 31, 1995. USWC is required to submit to the Federal Communications
17 Commission an Automated Reporting Management Information System (ARMIS)
18 Report 43-01. This report provides total South Dakota numbers and removes
19 nonregulated Part 64 to arrive at "Subject To Separations" numbers. The 43-01
20 Report is certificated by two officers of USWC. The 43-01 Report was then
21 compared to the December 1995 monthly report for expenses and plant in service

1 that USWC is required to file with the Commission.

2 USWC then does a gross-up exercise to the intrastate adjustments shown
3 on USWC Witness Wayne G. Culp's Schedule 2 to get back to total South Dakota
4 numbers. These numbers are then added to the "Subject To Separations" numbers
5 shown on the 43-01 Report. The result was then compared to the USWC Literals
6 sheets that breakdown the account numbers into their subaccounts for input into
7 Sheet V of the Commission's switched access cost study.

8 Q Has Staff accepted all of the proposed adjustments made by USWC witness Culp?

9 A No.

10 Q Which adjustments were eliminated or modified by Staff?

11 A Staff Witnesses Rislov and Knadle will make recommendations to various cost of
12 service issues which are incorporated into my Schedule 1. I then had to rely on
13 USWC to breakdown the account numbers into the subaccounts to run the Literals
14 which provide the input to Sheet V on my Schedule 2.

15 Q Does your Schedule 1 include an adjustment for the sale of 55 exchanges by
16 USWC that occurred on June 22, 1996?

17 A Yes. Staff and USWC each made adjustments to the test period for the sale of the
18 exchanges.

19 Q Was an adjustment made for the sale of the Alcester exchange to East Plains
20 Telephone Company?

21 A No. That sale has not been finalized by the FCC.

1 Q USWC has agreed to sell eight additional exchanges to three purchasing telephone
2 companies. Has Staff made an adjustment for this sale?

3 A No. The sale has not been finalized.

4 Q Did USWC and Staff follow ARSD 20:10:27 to 20:10:29 in the preparation of
5 their respective switched access cost studies?

6 A Yes.

7 Q How does the switched access rate in this proceeding compare to the rate in
8 TC93-100, the last time USWC filed for switched access rates?

9 A The rate in TC93-108 was a stipulated rate at 3.14 cents. The related Commission
10 cost study determined that a rate of approximately 6.7 cents was supported by the
11 administrative rules. The Commission staff cost study in this proceeding, with
12 Staff adjustments to the 1995 test period, results in a per minute rate of 6.15 cents.

13 Q Is there one item that caused the difference in rates from this filing with the filing
14 in TC93-108?

15 A The minutes of use increased more than the expenses.

16 Q Does this conclude your testimony?

17 A Yes.

South Dakota 1995 Literals for the Cost Model

File Name: LTRK285.XLS

Cindy Crawford

Sheet V

ACCOUNT OR LITERAL		PART 36	1990's Cal. Processor (Col. N-P)	TOTAL P36	EXCHANGE SALES ADJUSTMENT	OTHER ADJUSTMENT	TOTAL ADJUSTMENTS	TOTAL P36 LESS ADJUSTMENTS
2001						(1,873,000)	(1,873,000)	
21	2113 SM	A-2, L. 1	L.441	1,634,117	(187,122)	(4,593)	(191,715)	1,442,402
22	2111 D			0		0	0	0
	21122124SM	A-2, L. 2						
	21122124D			0	(8,230,081)		(8,230,081)	(8,230,081)
23	2112		L.446	4,635,206	(66,235)	(13,029)	(79,264)	4,555,942
24	2113		L.450	0	0	0	0	0
25	2114		L.454	0	0	0	0	0
26	2115		L.458	49,039	(701)	(138)	(839)	48,200
27	2116		L.462	4,558,002	(65,112)	(12,812)	(77,944)	4,480,058
28	2121		L.466	73,623,220	(7,961,362)	(206,947)	(8,168,309)	65,454,911
29	2121		L.466	0	0	0	0	0
30	2122		L.470	571,590	(8,168)	(1,607)	(9,775)	561,815
31	2123		L.474	2,909,407	(41,574)	(8,172)	(49,752)	2,859,655
32	2124		L.478	6,082,085	(86,910)	(17,096)	(104,006)	5,978,079
	FORMULA			92,428,549	(8,230,082)	(258,806)	(8,489,888)	83,938,661
				16,805,329			0	16,805,329
33							0	0
34							0	0
35	2210C1P0_P	A-2a L.3					0	0
	2220C1P0_A						0	0
	2210C1P0_P	A-2a L.15					0	0
	TOTAL-LINE 35						0	0
36	2210C1Q0_P	A-2a L.2		122,872		(343)	(343)	121,529
	2220C1Q0_A	A-2a L.2		1,155,399		(3,248)	(3,248)	1,152,151
	2230C1Q0_P	A-2a L.14		33,512		(94)	(94)	33,418
	TOTAL-LINE 36			1,310,981	0	(3,635)	(3,635)	1,307,346
				1		(0)	(0)	1
						0	0	0
37	2210C2_A	A-2a L.25		7,170,501		(20,155)	(20,155)	7,150,346
	2220C2_P	A-2a L.26		278		(1)	(1)	277
	2210C2_P	A-2a L.27		187,406		(527)	(527)	186,879
	TOTAL-LINE 37			7,358,185	0	(20,684)	(20,684)	7,337,501
38	2210C2_DA			0		0	0	0
	2220C2_DP			0		0	0	0
	2230C2_DP			0		0	0	0
	TOTAL-LINE 38			0	0	0	0	0
39	2210C3_A	A-2a L.25		105,366,942	(19,189,040)	(297,299)	(19,486,339)	85,880,603
	2220C3_P	A-2a L.30		4,105		(12)	(12)	4,093
	2230C3_P	A-2a L.31		2,769,999		(7,785)	(7,786)	2,762,213

	TOTAL-LINE 39		108,541,046	(19,169,040)	(105,093)	(19,474,117)	88,066,909
40	2210C3__DA		0		0	0	0
	2220C3__CP		0		0	0	0
	2230C3__DP		0		0	0	0
	TOTAL-LINE 40		0	0	0	0	0

South Dakota 1995 Literals for the Cost Model
 File Name: LTRX295.XLS
 Cindy Crawford
 Sheet V

		PART 36	1990's Cal. Procedure (Col. N-P)	TOTAL PJS				
41	2210C412_P	A-2a L.35		1,191,179		(1,548)	(1,348)	1,187,831
	2220412_P	A-2a L.40		486		(1)	(1)	485
	2230412F_A			11,609,697		(32,634)	(32,634)	11,577,063
	TOTAL-LINE 41			12,801,362	0	(35,983)	(35,983)	12,765,379
42	2210C4WBOP	A-2a L.34		2,181,665		(6,132)	(6,132)	2,175,532
	2220C4WBOP	A-2a L.39		887		(2)	(2)	885
	2230C4WBDA	A-2a L.44		21,252,878		(59,739)	(59,739)	21,193,139
	TOTAL-LINE 42			23,435,430	0	(65,874)	(65,874)	23,369,555
43	2210413J__	A-2a L.36		4,008,576		(11,268)	(11,268)	3,997,308
	2220413J__	A-2a L.41		1,630		(5)	(5)	1,625
	2230413J__	A-2a L.46		39,052,674		(109,771)	(109,771)	38,942,903
	2210413B__	A-2a L.37		175,577		(494)	(494)	175,083
	2220413B__	A-2a L.42		71		(0)	(0)	71
	2230413B__	A-2a L.47		1,767,422	(5,381,917)	(4,799)	(5,388,716)	(3,681,294)
	TOTAL-LINE 43			41,945,149	(5,381,917)	(126,338)	(5,510,253)	39,435,036
44				0		0	0	0
45				0		0	0	0
46	2210423J__	A-2a L.54		2,414,121		(6,786)	(6,786)	2,407,335
	2220423J__	A-2a L.58		982		(3)	(3)	979
	2230423J__	A-2a L.62		23,520,319	(11,005,201)	(66,113)	(11,071,314)	10,449,005
	2210423B__	A-2a L.55		706,829		(1,987)	(1,987)	704,843
	2220423B__	A-2a L.59		237		(1)	(1)	236
	2230423B__	A-2a L.63		6,884,774		(19,352)	(19,352)	6,865,421
	TOTAL-LINE 46			31,527,312	(11,005,201)	(94,242)	(13,099,443)	20,427,869
47				0		0	0	0
48				0		0	0	0
49	2210C43__P	A-2a L.67		1,330,489		(3,740)	(3,740)	1,326,749
	2220C43__P	A-2a L.68		541		(2)	(2)	539
	2230C43__A	A-2a L.69		12,958,417		(36,425)	(36,425)	12,921,992
	TOTAL-LINE 49			14,289,447	0	(40,165)	(40,166)	14,249,281
	TOTAL 2210	L.485		125,067,950	(19,169,040)	(351,552)	(19,526,574)	105,547,358
	TOTAL 2220	L.490		1,164,666	0	(3,274)	(3,274)	1,161,392
	TOTAL 2230	L.495		119,976,697	(18,389,119)	(337,241)	(18,726,359)	101,250,338
	TOTAL 2260			246,209,313	(37,558,158)	(692,047)	(38,250,225)	207,959,038
50				0		0	0	0
51				0		0	0	0
52	2210C1__SM	A-2a L.52		6,269,298	(509,763)	(17,713)	(527,476)	5,741,822

53	23512__S_	A-2a	L.33 *NOTE	32,239		0	0	32,239
70	2310C2__S_	A-2a	L.35 *NOTE	0		0	0	0
	TOTAL 2310			L.512+516	\$,301,537	(509,763)	(17,713)	(527,476) 5,774,061

71						0	0	0
72						0	0	0

South Dakota 1995 Literature for the Cost Model
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 Cindy Crawford
 Sheet V

			1990's Cal. Processor (Col. N-P)	TOTAL P36				
73	2410C1BC__	A-2a	L.71	11,589,665	(63,365,393)	{32,577}	(63,387,970)	(51,808,305)
				0		0	0	0
	2410C1JT__	A-2a	L.72	266,121,418		(748,600)	(748,600)	265,572,818
	TOTAL-LINE 73			277,911,083	(63,365,393)	(781,177)	(64,146,570)	213,764,513
74				0	0	0	0	0
75	2410C2ET__	A-2a	L.75	2,263,754		(6,363)	(6,363)	2,257,391
76	2410C2WB__	A-2a	L.76	19,251,509		(54,114)	(54,114)	19,197,395
77	2410C3JT__	A-2a	L.79	8,933,161	(8,053,794)	(25,110)	(8,078,904)	854,257
	2410C3BC__	A-2a	L.80	2,232,722	0	(6,276)	(6,276)	2,226,446
	TOTAL-LINE 77			11,165,883	(8,053,794)	(31,386)	(8,085,180)	3,080,703
78				0	0	0	0	0
79	2410C3__DT	A-2a	L.81	529	0	0	0	529
80	2410C4__	A-2a	L.83	2,720,065		(7,646)	(7,646)	2,712,419
81				0	0	0	0	0
82				0	0	0	0	0
	CALCULATED 2410			313,312,823	(71,419,187)	(880,686)	(72,299,873)	241,012,950
	TOTAL 2410			(L.521,529 535,541,547, 551,555, 4 559)	313,312,294		0	313,312,294

83	2581__T	A-2a	L.49	L.566	6,303,022	(17,717)	(17,717)	6,285,305
84					0	0	0	0
85					0	0	0	0
86					0	0	0	0
87					0	0	0	0
88					0	0	0	0
89					0	0	0	0
90					0	0	0	0
91					0	0	0	0
92	268221108_	A-2	L.42	L.571	8,511	(24)	(24)	8,487
93					0	0	0	0
94					0	0	0	0
95					0	0	0	0
96					0	0	0	0
97					0	0	0	0
98					0	0	0	0
	2680__T	A-2	L.51	L.566+L.571	6,311,533	0	(17,741)	(17,741) 6,293,792
99	2690__S_	A-2	L.52	L.576	140,052	0	(194)	(194) 139,858
100					0		0	0
	TOTAL 2001				666,337,954	(117,904,312)	(11,573,000)	555,542,643

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TOT 2001 SXC.

103	2005	N			666,337,425	
106	4040	N			555,135	
123	2003	SM	A-2a	L.65	L.589	
124	2003	SM	A-2a	L.66	L.589	
125	2004	SM	A-2a	L.68	L.596	
126	2004	SM	A-2a	L.69	L.596	

0	666,337,425
0	0
0	555,135
0	0
0	0
0	0
0	0
0	0

South Dakota 1995 Literals for the Cost Model

File Name: LTRX295.XLS

Cindy Crawford

Sheet V

ACCOUNT OR LITERAL	PART 36	1990's Cal. Processor (Col. N-P)	TOTAL P36			
129 31002110S	A-3 L.1	L.622	27,510,900	(2,376,930)	4,849,000	
130 31002210S	A-3 L.2	L.622	50,056,200	(5,420,359)	416,460	(1,960,470)
131 31002220S	A-3 L.3	L.622	929,678		757,750	(4,662,709)
132 31002230S	A-3 L.4	L.622	68,174,646	(9,320,560)	14,073	14,073
133 31002310S	A-3 L.6	L.622	4,156,224	(417,798)	1,032,027	(8,588,612)
134 31002410S	A-3 L.7	L.622	169,492,232	(38,752,686)	82,917	(154,882)
135 3100 SE	A-3 L.9	L.622	178,774		2,565,772	(36,186,914)
FORMULA			320,498,654	(56,588,533)	0	0
			320,319,880		4,849,000	(51,739,513)
136 3400 T	A-3 L.22	L.613	2,121,706		0	268,759,121
137 3500 S	A-3 L.23	L.645	28,128		0	320,319,880
138 3600 S	A-3 L.24	L.649,2149,854	0		0	2,121,706
					0	28,128
139 TX2110NOSM	A-4 L.8		12,146,538	(1,577,000)	1,820,000	
140 TX2210NOSM	A-4 L.9		17,593,141	(2,923,000)	392,807	(1,184,193)
141 TX2220NOSM	A-4 L.10		(17,809)		568,945	(2,354,055)
142 TX2230NOSM	A-4 L.11		13,726,405	(2,826,000)	(576)	(576)
143 TX2310NOSM	A-4 L.13		751,304	(29,000)	443,898	(2,182,102)
144 TX2410NOSM	A-4 L.14		12,079,194	(1,865,000)	24,296	(4,704)
145 4340 SE	A-4 L.7	L.602	10,462		390,629	(1,474,171)
FORMULA			56,289,235	(11,220,000)	0	0
FORMULA			56,278,773		1,820,000	(9,409,000)
					0	40,489,235
						56,278,773

South Dakota 1995 Literals for the Cost Model

File Name: LTRX295.XLS

Cindy Crawford

Sheet V

ACCOUNT OR LITERAL	PART 36	1990's Cal. Processor (Col. N-P)	TOTAL P36			
148 6110 M	A-6 L.1		114,172	(14,000)	5,000	(11,000)
149 6120 M	A-6 L.2		0		0	0
150 6120 M	A-6 L.2		7,778,211	(914,000)	154,000	(712,000)
151 6210 M	A-6 L.1		4,284,685	(499,000)	100,000	(399,000)
152 6210 M	A-6 L.1					

6220	M	A-6	L-4	994		0	994
6330	M	A-6	L-5	1,892,515	(214,000)	43,000	1,721,515
TOTAL-LINE 152				6,178,194	(711,000)	143,000	5,608,194
151	6210	D		0		0	0
	6220	D		0		0	0
	6210	D		0		0	0
TOTAL-LINE 151				0	0	0	0
154	6110C2	M	A-6 L-8	2,757	(253,000)	51,000	2,288
155	6110CNLS	M	A-6 L-6	4,047	(867)	118	3,159
156	6110C1	M	A-6 L-7	1,100,843	(251,551)	50,700	980,000
FORMULA				1,187,647	(251,000)	51,000	985,647
157				0		0	0
158	6410	M	A-6 L-10	9,677,645	(1,096,000)	221,000	8,802,645
159				0		0	0
176	6510		A-6 L-12 L-247	(137,273)	14,000	0	(123,271)
177				0		0	0
178	6510	M	A-6 L-11	13,721,078	(1,727,000)	834,000	12,928,078
179				0		0	0
180	6440	D	A-6 L-14 L-240	5,685,710	(634,000)	38,000	5,090,710
TOTAL 6110, 20, 6210, 20, 30, 6310							
6410, AND 6510				44,206,390			
1990'S TOTAL TOTAL COST OF SERV & PRODS				44,206,394		0	44,206,394
(LINE 12)							
DIFFERENCE				(4)			

South Dakota 1995 Literals for the Cost Model
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 Cindy Crawford
 Sheet V

	PART 36	1990's Cal. Processor (Col. N-P)	TOTAL P16				
181	65612110_M	A-6 L-16 L-310	1,747,045		0	1,747,045	
	65652110_M	A-6 L-26 L-314	111,016		0	111,016	
TOTAL-LINE 181				3,858,081	(210,000)	(1,669,000)	1,959,081
182	65612210_M	A-6 L-17 L-310	10,144,740		0	10,144,740	
	65652210_M	A-6 L-27 L-314	(5,232)		0	(5,232)	
TOTAL-LINE 182				10,139,508	(11,000)	6,770,000	16,896,508
183	65612220_M	A-6 L-18 L-310	43,091		0	43,091	
	65652220_M	A-6 L-28 L-314	0		0	0	
TOTAL-LINE 183				43,091	(2,496,000)	(64,000)	(2,516,909)
184	65612230_M	A-6 L-19 L-310	11,719,642		0	11,719,642	
	65652230_M	A-6 L-29 L-314	8,313		0	8,313	
TOTAL-LINE 184				11,747,955	(2,224,000)	(2,154,000)	7,169,955
185	65612310_M	A-6 L-21 L-310	429,600	(26,000)	26,000	0	429,600
186	65612410_M	A-6 L-22 L-314	16,566,121	(4,161,000)	6,160,000	2,207,000	18,771,121
187	6561	M	p16	1,145,809		0	1,145,809
188	6564	M	p16	5,229		0	5,229
190	6560DEPRE	A-6 L-31	11,881		0	11,881	
TOTAL DEPRECIATION & AMORTIZATION				44,167,277	(9,150,000)	9,277,000	

6560-2005 TELEPHONE PLANT ADJ.
 ADJ TOTAL
 TOTAL 1990'S 6560 ESP & AMORT (LINE 19)
 DIFFERENCE DUE TO ROUNDING

			229					
			44,167,506					
			43,167,520					
			(14)					
				(2,699,000)	896,000			
191	6610__EM	A-6 L.35	L.253	6,590,962	(818,770)	271,811	(546,959)	6,044,003
192	6610SAC_D_	A-6 L.36	L.253	169,211			0	169,211
	TOTAL 6610			6,760,173	(818,770)	271,811	(546,959)	6,213,214
193	6620C1__M	A-6 L.39		3,917,776	(474,508)	157,525	(316,984)	3,600,792
194	6620C1__D_	A-6 L.38		0	0	0	0	0
195	6620C2CD_	A-6 L.43		0	0	0	0	0
196	6620C2AD_	A-6 L.41		50,142	(6,073)	2,016	(4,057)	46,085
197	6620C2FDD_	A-6 L.42		0	0	0	0	0
198	6620C1ESR_	A-6 L.45		5,005,636	(615,956)	204,482	(411,474)	4,674,162
199	6620C1KPR_	A-6 L.46		1,886,587	(220,497)	75,855	(152,642)	1,733,945
200	6620C1RIR_	A-6 L.47		1,342,940	(162,653)	53,997	(109,650)	1,234,284
201	6620C1XSE_	A-6 L.48		132,919	(14,888)	4,942	(9,945)	112,974
202	6620C1XPR_	A-6 L.49		52,262	(6,330)	2,101	(4,228)	48,034
203	6620C1XBR_	A-6 L.50		151,409	(18,338)	6,088	(12,250)	139,159
204	6620C1CAR_	A-6 L.51		328,582	(39,797)	13,212	(20,585)	301,997
	FORMULA			8,970,335	(1,066,458)	360,677	(725,781)	8,244,554
205	6620C2BC1_	A-6 L.55		46,899	(5,680)	1,886	(3,795)	43,104
	6620C2MPD_	A-6 L.54		21,114	(2,557)	849	(1,708)	19,406
	TOTAL-LINE 205			68,013	(8,238)	2,735	(5,503)	62,510
206	6620C2MP_	A-6 L.53		55,751	(6,752)	2,242	(4,511)	51,240
207	6620C2BC1_	A-6 L.55		1,995,885	(241,735)	80,250	(161,485)	1,834,400
208	6620C2BC_	A-6 L.58		204,570	(24,777)	8,225	(16,552)	188,018
209	6620C2BU_	A-6 L.57		105,047	(12,723)	4,224	(8,499)	96,548
				2,429,265	(294,225)	97,675	(196,550)	2,232,716
210	6620C3JOE_	A-6 L.61		156,583	(18,965)	6,296	(12,669)	143,914
211				0	0	0	0	0
	TOTAL 6520		L.257	15,524,102	(1,880,230)	624,189	(1,256,041)	14,268,061
	CUST OP TOTAL 6610+6620			22,284,275	(2,699,000)	896,000	(1,803,000)	20,481,275

South Dakota 1995 Literals for the Cost Model
 File Name: LTRX295.XLS
 Cindy Crawford
 Sheet V

PART 36

1990's Cal.
 Processor
 (Col. N-P)

TOTAL
 P16

TOTAL 1990'S CUSTOMER OPERATIONS LINE 13
 DIFFERENCE DUE TO ROUNDING

22,284,275
 (3)

(3,551,000)	9,830,000	576,542	2,508,232
(326,055)	902,597	0	0
0	0	0	0

212 671COTH_ A-6 L.65
 671DEAS_

L.264
 L.264

1,931,690
 0

Schedule 1
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	TOTAL EXEC & PLAN			1,931,690	(326,055)	902,597	576,542	2,508,232
213				0	0	0	0	0
230	67200TH_M	A-6 L.66	L.275	19,105,958	(3,224,945)	8,927,403	5,702,452	24,808,416
	67202AS_T		L.275	0	0	0	0	0
	TOTAL ADM & GEN, ALLOC			19,105,958	(3,224,945)	8,927,403	5,702,458	24,808,416
231	6728__EE	A-6 L.67	L.283	0	0	0	0	0
	TOTAL CORPORATE OPER.			21,037,648	(3,551,000)	9,830,000	6,279,000	27,316,648
	TOTAL 1990'S CORPORATE OPERATIONS LINE 14			21,037,648				
	DIFFERENCE DUE TO ROUNDING			0				

232	7240__M	A-7 L.14	L.295	7,172,091	0	620,000	680,000	7,852,091
233	7240__ER		L.295				0	0
	TOTAL 7240			7,172,091				
	TOTAL 1990'S CALCULATOR PROCESSOR, LINE 295CORPORATE OPERATIONS LINE 14			7,172,091				
	DIFFERENCE DUE TO ROUNDING			(8)			0	0
235				0			0	0
237	State Reg			31.234			0	31.234
238	State Reg			0.154			0	0.154
239	State Reg			9.624			0	9.624
240	State Reg =0						0	0
241	State Reg =0						0	0
242	State Reg =0						0	0
243	State Reg =0			0			0	0
244	7510__E		L.376	7,159,644			0	7,159,644
	7520__S		L.377	306,743			0	306,743
	7530__E		L.378	84,962			0	84,962
	7540__E		L.379	2,186,444			0	2,186,444
	FORMULA			9,737,793	0		0	9,737,793
	TOTAL 1990'S INTEREST INCOME, LINE 27			9,737,793				
	DIFFERENCE DUE TO ROUNDING			0				

245	State Reg =0						0	0
246	State Reg =0						0	0
247	State Reg =0						0	0
248								
249	5301__D	A-7 L.14	L.305	591,592	0	0	0	591,592
250	State Reg =0							
251	State Reg =0							

U S WEST Communications - SD
 Test Period Ending December 31, 1995
 Total USWC Minus Dereg (Part 64)

Schedule 1
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Line	Description	Dec 1995 Monthly Report No. 5	1995 Dereg Part 64	1995 Book Minus Dereg
1	Maintenance	\$29,115,929	\$1,683,330	\$27,432,599
2	Engineering	5,333,400	424,988	4,908,412
3	Network Operations	6,212,663	398,422	5,814,241
4	Network Administration	502,204	501	501,703
5	Other	(126,855)		(126,855)
6	Access	5,686,712		5,686,712
7	Customer Operations	23,466,778	1,182,500	22,284,278
8	Corporate Operations	21,970,462	932,815	21,037,647
9	Property & Other Operating Taxes	7,218,293	46,194	7,172,099
10	Uncollectibles	614,668	20,504	594,164
11	Other Operating Income & Expenses	1,395,068	49,422	1,345,646
12	Depreciation & Amortization	44,429,720	262,200	44,167,520
13	Federal Income Tax			
14	Telephone Plant In Service	670,020,914	3,682,957	666,337,957
15	Materials & Supplies	485,297	4,375	480,922
16	Accumulated Depreciation	321,739,403	1,240,748	320,498,655
17	Accumulated Amortization	2,158,467	8,631	2,149,836
18	Deferred Tax Reserve	56,607,040	317,805	56,289,235
19	Customer Deposits	558,983	3,848	555,135

U S WEST Communications - SD
Test Period Ending December 31, 1995
IntraState Results and Adjustment Detail

Line	Description	Booked Commission Adjustments	Corporate Advertising	Interest on Customer Deposits	Pioneer Expense	Belicore Contributions	Interest Synchronization	Commission Ordered Rate Base	AT&T Rebate (\$37,000)	Federal Tax Reserve Adjustment
1	Maintenance									
2	Engineering									
3	Network Operations									
4	Network Administration									
5	Access									
6	Other									
7	Customer Operations									
8	Corporate Operations	\$122,018	(\$60,675)		(\$34,809)	(\$1,088)				
9	Property & Other Operating Taxes	2,098								
10	Uncollectibles									
11	Other Operating Income & Expenses			\$45,539						
12	Depreciation & Amortization	(456,680)								
13	Federal Income Tax	327,591	21,236	(15,939)	12,183	381	\$222,019		12,950	\$218,063
14	Telephone Plant in Service	\$5,613,384								
15	Materials & Supplies									
16	Depreciation Reserve	(371,133)								
17	Deferred Tax Reserve	1,019,835								
18	Customer Deposits			\$398,297						
19	Other Rate Base Adjustments							\$4,292,000		
20	Net Rate Base	\$4,864,682		(\$398,297)				(\$4,292,000)		

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U S WEST Communications - SD
Test Period Ending December 31, 1995
Intrastate Results and Adjustment Detail

Line	Description	1988 - 1990 Tax Audit Payment	Prior Period Property Tax Adjustment	Investment Tax Credit Amortization	1995 Management Salary Adj.	1995 Management Salary Adj.	1995 Occupational Wage Adj.	1995 Occupational Wage Adj.	Employee Level Adjustment	Represcribed Depreciation
1	Maintenance				\$15,000	\$78,000	\$87,000	\$272,000		
2	Engineering				8,000	41,000	8,000	14,000		
3	Network Operations				12,000	62,000	8,000	24,000		
4	Network Administration				1,000	4,000	1,000	4,000		
5	Access									
6	Other									
7	Customer Operations				28,000	148,000	55,000	216,000		
8	Corporate Operations				39,000	204,000	7,000	28,000		
9	Property & Other Operating Taxes		\$433,000							
10	Uncollectibles								\$32,000	
11	Other Operating Income & Expenses									\$7,380,801
12	Depreciation & Amortization									(2,576,210)
13	Federal Income Tax		(151,550)	\$311,000	(36,050)	(186,550)	(50,400)	(195,300)	(11,000)	
14	Telephone Plant In Service						\$10,000			
15	Materials & Supplies									\$3,638,000
16	Depreciation Reserve									
17	Deferred Tax Reserve	\$198,000								
18	Customer Deposits									
19	Other Rate Base Adjustments									
20	Net Rate Base	(\$198,000)					\$10,000			(\$3,638,000)

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U S WEST Communications - SD
Test Period Ending December 31, 1995
Intrastate Results and Adjustment Detail

Line	Description	Inflation Adjustment	Intra-area Rent Compensation	Other Post Retirement Benefits	Total Intrastate Adjustments Pre-Sale	Gross-up Intrastate to Total State	Total State Adjusted Pre-Sale
1	Maintenance	\$125,970		(\$83,000)	\$435,970	152.46%	\$684,690
2	Engineering	21,861		19,000	109,861	160.80%	176,654
3	Network Operations	25,507		232,000	363,507	158.15%	574,893
4	Network Administration	2,253		2,000	14,253	148.10%	21,109
5	Access	38,110			38,110	100.09%	38,144
6	Other	(407)			(407)	135.54%	(552)
7	Customer Operations	116,744		114,000	675,744	132.56%	895,737
8	Corporate Operations	105,753	\$6,438,342	26,000	6,873,544	143.00%	9,829,178
9	Property & Other Operating Taxes	32,776			467,874	145.39%	680,247
10	Uncollectibles				0	110.84%	0
11	Other Operating Income & Expenses				77,539	152.65%	118,362
12	Depreciation & Amortization				6,803,913	actual \$	9,275,753
13	Federal Income Tax	(164,000)		(108,500)	(2,370,075)		
14	Telephone Plant in Service			(\$2,206,000)	\$3,417,384	147.12%	\$5,027,783
15	Materials & Supplies				0		
16	Depreciation Reserve				3,266,867	148.41%	4,848,422
17	Deferred Tax Reserve				1,217,835	149.43%	1,819,837
18	Customer Deposits				398,297	147.12%	585,989
19	Other Rate Base Adjustments				4,292,000	147.12%	6,314,551
20	Net Rate Base			(\$2,206,000)	(\$5,757,615)		(\$8,541,017)

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Schedule 1
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US WEST Communications
South Dakota Intrastate Operations
Test Period Ended December 31, 1995
Intrastate MTR Separations Factors

	a Total Service 1995 Test Year	b Intrastate 1995 Test Year	c=b/a Intrastate Factor %
REVENUES			
1. LOCAL SERVICE	82,325,699	82,325,699	100.00%
2. ACCESS SERVICE	66,946,846	12,511,087	18.69%
3. LONG DISTANCE SERVICE	34,472,185	34,343,150	99.62%
4. MISCELLANEOUS	314,399	(3,909,259)	
5. TOTAL REVENUE	184,059,129	125,269,677	68.06%
EXPENSES			
6. MAINTENANCE	29,115,929	19,097,153	65.59%
7. ENGINEERING	5,333,400	3,316,835	62.19%
8. NETWORK OPERATIONS	6,212,663	3,928,138	63.23%
9. NETWORK ADMIN	502,204	332,110	67.52%
10. ACCESS	5,686,712	5,681,701	99.91%
11. OTHER	(126,855)	(93,395)	73.78%
12. TOTAL SERVICES & PRODS	46,724,053	32,269,343	69.05%
13. CUSTOMER OPERATIONS	23,466,778	17,702,604	75.44%
14. CORPORATE OPERATIONS	21,970,463	15,364,162	69.93%
15. PROPERTY & OTHER TAXES	7,218,253	4,964,429	68.78%
16. UNCOLLECTIBLES	614,668	554,541	90.22%
17. TOT SELL, GEN & ADMIN	53,270,202	38,385,736	72.43%
18. OTHER OPR INCOME & EXP	1,395,065	913,922	65.51%
19. DEPR. & AMORT.	44,429,720	29,462,202	66.31%
20. UNIVERSAL SERVICE FUND	0	900	
21. LINK UP AMERICA	0	(4,134)	
22. TOTAL OPERATING EXPS	145,819,043	101,227,969	69.42%
23. INCOME BEFORE TAXES	38,240,086	24,041,709	62.87%
INCOME TAXES & OTHER			
24. FEDERAL	8,242,954	4,863,717	59.00%
25. STATE AND LOCAL	0	0	
26. NET OPERATING INCOME	29,997,132	19,177,992	63.93%
AVERAGE INVESTMENTS			
28. PLANT IN SERVICE	670,020,914	455,406,048	67.97%
29. PROP HELD FOR FUTURE USE	0	0	
30. MATERIALS & SUPPLIES	485,297	344,459	70.98%
31. ACCUMULATED DEP & AMORT	323,897,871	218,253,512	67.38%
32. ACCUM DEFERRED TAX RESERVE	56,607,039	37,879,005	66.92%
33. CUSTOMER DEPOSITS	338,983	376,793	67.41%
34. CASH WORKING CAPITAL (CWC)			
35. OTHER RATE BASE ADJUSTMENTS			
36. AVERAGE NET INVESTMENT	289,442,318	199,247,196	68.84%
27. INTEREST EXPENSE	9,803,815	6,806,465	69.43%

Source data from P:\STATEREGLSD\SD_DB.XLS.

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Intrastate Separations
FACTORS.XLS

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Disclose and distribute solely to US WEST Communications Employees having a need to know.

2:12 PM
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US WEST Communications
South Dakota Intrastate Operations
Test Period Ended December 31, 1995
Thousands of Dollars
Exchange Sales Adjustment Detail

Line	Description	Total Intrastate Results (a)	Total Adjustment \$ (b)	Repreciated Depreciation (c) **	Total Adjustment w/o Depreciation (d = b - c)	Percent of Adjustment w/o Depr to Total (e = d / a)	Exchange Sales Adjustment (f)	Exchange Sales Adjustment (g = e * f)	Exchange Sales Adjusted (h = f + g)
INCOME STATEMENT									
1.	Local Service Revenue	82,326	0		0	0.000%	(10,487)	0	(10,487)
2.	Network Access Revenue	12,511	0		0	0.000%	(423)	0	(423)
3.	Long Distance Revenue	34,342	0		0	0.000%	(6,983)	0	(6,983)
4.	Miscellaneous	(3,909)	6,438		6,438	-164.695%	(381)	627	246
5.	Total Revenue	125,270	6,438	0	6,438	(2)	(18,274)	627	(17,647)
(see L.1 to L.4)									
6.	Maintenance	19,097	436		436	2.283%	(2,115)	(48)	(2,164)
7.	Engineering	3,317	109		109	3.291%	(367)	(12)	(380)
8.	Network Operations	3,928	363		363	9.247%	(435)	(40)	(475)
9.	Network Administration	339	15		15	4.333%	(38)	(2)	(39)
10.	Access	5,682	33		33	0.671%	(629)	(4)	(634)
11.	Other	(94)	0		0	0.000%	10	0	10
12.	Total Cost of Services & Products	32,269	961	0	961		(3,375)	(106)	(3,681)
(see L.8 to L.11)									
13.	Customer Operations	17,703	676		676	3.820%	(1,961)	(75)	(2,036)
14.	Corporate Operations	15,364	6,874	0	6,874	44.742%	(1,715)	(768)	(2,483)
15.	Property & Other Operating Taxes	4,969	468		468	9.426%	0	0	0
16.	Uncollectibles	555	0		0	0.000%	0	0	0
17.	Total Selling, General & Admin	38,586	8,018	0	8,018		(3,676)	(542)	(4,519)
(see L.13 to L.16)									
18.	Other Operating Income and Expense	914	78	0	78	8.499%	0	0	0
19.	Depreciation and Amortization	29,402	6,904	6,572	332	1.128%	(6,110)	(69)	(6,179)
20.	Universal Service Fund	1	0		0	0.000%	0	0	0
21.	Link Up America	(4)	0		0	0.000%	0	0	0
22.	Total Operating Expense	101,228	15,961	6,572	9,389		(13,361)	(1,018)	(14,379)
(L.12 - see L.17 to L.21)									
23.	Income From Operations Before Taxes	24,042	(9,523)	(6,572)	(2,951)	-12.275%	(4,913)	1,645	(3,267)
(L.3 - L.22)									
24.	Federal Income Tax	4,864	(2,369)	(2,310)	(59)	-1.199%	(1,328)	569	(760)
25.	State and Local Income Taxes	0	0	0	0	0.000%	0	0	0
26.	Net Operating Income (L.23 - L.24 - L.25)	19,178	(7,193)	(4,241)	(2,891)	-15.062%	(3,584)	1,377	(2,508)
BALANCE SHEET									
27.	Telephone Plant in Service	455,465	3,417	0	3,417	-0.280%	(81,222)	229	(81,593)
28.	Property Held for Future Use	0	0	0	0	0.000%	0	0	0
29.	Materials and Supplies	344	0	0	0	0.000%	0	0	0
30.	Depreciation Reserve	218,254	3,267	1,306	1,962	0.899%	(38,974)	(350)	(39,324)
31.	Deferred Tax Reserve	37,879	1,218	869	349	0.921%	(7,802)	(72)	(7,873)
32.	Customer Deposits	327	398	0	398	0.687%	0	0	0
33.	Cash Working Capital (CWC)	0	0	0	0	0.000%	0	0	0
34.	Other Rate Base Adjustments	0	4,292	0	4,292	0.000%	0	0	0
35.	Net Rate Base	199,241	(5,758)	(2,174)	(1,584)		(35,064)	651	(34,395)
(L.27 + L.28 + L.29 + L.30 + L.31 + L.32 + L.34)									

* Customer Deposits and Other Rate Base Adjustments were subtracted from Telephone Plant in Service to develop TPIIS percentage

** Indicates Repreciated Depreciation as well as Cost-of-Depreciation Rate Differences

U S WEST COMMUNICATIONS

***** FCC PART 69 *****

Intrastate Toll
Revenue Requirement Summary

	Part 38 Total	Source	Common Line	Local Switching	Information	Common Transport	Billing and Collection	Other	
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	
INTRALATA:									
15 Net Investment	\$30,545,455	J13	\$14,689,901	\$3,026,802	\$0	\$6,398,718	\$0	\$9,448,035	O K
16 Rate of Return	9.62%		9.62%	9.62%	9.62%	9.62%	9.62%	9.62%	
17									
18 Return on Rate Base	\$2,937,535		\$1,410,794	\$291,278	\$0	\$615,380	\$0	\$620,103	O K
19 Return Adjustments	0	J18-20	0	0	0	0	0	0	O K
20									
21 Net Return on Rate Base	\$2,937,535		\$1,410,794	\$291,278	\$0	\$615,380	\$0	\$620,103	O K
22 Income Taxes	755,848	J31-32	383,008	74,948	0	158,338	0	139,358	O K
23 Expenses and Other Taxes	25,710,274	J33-35, 40	8,780,673	1,761,988	1,039,783	3,327,384	938,087	9,886,000	1 238861342183
24									
25 Total IntralATA Rev. Req.	\$29,403,655		\$10,533,873	\$2,126,162	\$1,039,783	\$4,101,080	\$938,087	\$10,865,600	1 259049953645
26	*****		*****	*****	*****	*****	*****	*****	
27									
28									
INTERLATA:									
30									
31 Net Investment	\$16,514,521	P13	\$10,199,908	\$2,748,577	\$0	\$3,528,298	\$0	\$37,863	O K
32 Rate of Return	9.62%		9.62%	9.62%	9.62%	9.62%	9.62%	9.62%	
33									
34 Return on Rate Base	\$1,588,190		\$980,908	\$264,329	\$0	\$339,311	\$0	\$3,842	O K
35 Return Adjustments	0	P18-20	0	0	0	0	0	0	O K
36									
37 Net Return on Rate Base	\$1,588,190		\$980,908	\$264,329	\$0	\$339,311	\$0	\$3,842	O K
38 Income Taxes	380,513	P31-32	235,015	63,330	0	81,295	0	873	O K
39 Expenses and Other Taxes	9,025,546	P33-35, 40	5,584,622	1,537,984	3,092	1,517,730	380,890	21,258	O K
40									
41 Total InterLATA Rev. Req.	\$10,994,246		\$6,780,545	\$1,865,843	\$3,092	\$1,838,338	\$380,890	\$25,773	O K
42	*****		*****	*****	*****	*****	*****	*****	
43									
44									
45 TOTAL INTRASTATE REV. REQ.	\$40,397,901		\$17,314,418	\$3,993,835	\$1,039,844	\$6,039,418	\$1,318,957	\$10,891,432	
	*****		*****	*****	*****	*****	*****	*****	
ACCESS ELEMENT MINUTES OF USE									
			444,158,703	448,389,621		448,389,621			
ACCESS RATE PER MINUTE									
	\$0.061459		\$0.038983	\$0.008947		\$0.013529			

U S WEST COMMUNICATIONS

Intrastate								
***** FCC PART 36 ***** Revenue Requirement Summary	TOTAL COMPANY	Source/ Allocator	Interstate and Other	Message Telephone Service		Private Line		TOTAL INTRASTATE
				InterLATA	IntraLATA	InterLATA	IntraLATA	
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
13 State Income Tax Rate	0.00%	---	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
14 Federal Income Tax Rate	31.23%	---	31.23%	31.23%	31.23%	31.23%	31.23%	31.23%
15 Gross Receipts Tax Rate	0.15%	---	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%
16								
17 Net Investment	\$214,623,403	C58	\$165,348,417	\$18,508,633	\$26,855,141	\$44,504	\$3,386,773	\$49,075,052
18 Rate of Return	9.62%	---	9.62%	9.62%	9.62%	9.62%	9.62%	9.62%
19								
20 Return on Rate Base	\$20,640,192		\$15,920,675	\$1,587,824	\$2,563,406	\$4,280	\$564,203	\$4,719,513
21								
22 AFUDC	0	H43	0	0	0	0	0	0
23 ITC Amortization	0	H30	0	0	0	0	0	0
24 Other Return Adjustments	0	V242	0	0	0	0	0	0
25								
26 Net Return	\$20,640,189		\$15,920,675	\$1,587,824	\$2,563,406	\$4,280	\$564,203	\$4,719,513
27								
28								
29 Contributions	0	H52	0	0	0	0	0	0
30 Interest Expense	6,737,753	H44	7,520,598	751,073	1,105,538	2,022	267,602	2,217,195
31 Capital Lease Expense	0	H46	0	0	0	0	0	0
32 Capitalized Payroll Taxes	0	H30	0	0	0	0	0	0
33 Depreciation Adjustment	0	H36	0	0	0	0	0	0
34 Other Income Adjustments	0	V248	0	0	0	0	0	0
35								
36 After Tax Income	\$10,902,366		\$8,400,070	\$835,650	\$1,367,888	\$2,258	\$286,542	\$2,502,318
37								
38 State Income Taxes	\$0	Formula	\$0	\$0	\$0	\$0	\$0	\$0
39 Federal Income Taxes	4,951,023	Formula	3,814,064	378,408	621,180	1,026	134,886	1,136,350
40 Operating Expenses and Taxes	140,285,882	I105	104,722,539	8,595,000	23,553,142	28,972	2,988,023	35,563,143
41 Uncollectibles	591,392	V245	431,585	276	159,843	2	288	160,207
42 Other Revenue Adjustments	0	V260	0	0	0	0	0	0
43								
44 Net Revenue	\$165,076,893		\$124,457,078	\$10,902,117	\$20,737,728	\$32,278	\$3,988,893	\$41,419,015
45 Gross Receipts Taxes	749,189	Formula	138,967	10,468	40,187	48	5,539	62,222
46 Other Revenue Taxes	0	V251	0	0	0	0	0	0
47								
TOTAL REVENUE REQUIREMENT	\$163,126,082		\$124,644,845	\$10,970,585	\$20,777,895	\$32,326	\$3,992,431	\$41,481,237

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U S WEST COMMUNICATIONS

Intrastate									
***** FCC PART 36 ***** Investment Summary	TOTAL COMPANY	Source/ Allocator	Interstate and Other	Message Telephone Service		Private Line		TOTAL INTRASTATE	
				InterLATA	IntraLATA	InterLATA	IntraLATA		
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	
13 Land and Support Investment	\$80,381,092	D33	\$85,869,687	\$9,823,023	\$10,515,578	\$17,779	\$2,354,848	\$19,511,225	O K
14									
15 COE Operator Equipment	\$1,307,298	D43	\$928,084	\$358	\$380,846	\$0	\$0	\$381,204	O K
16 COE Switching Equipment	\$8,404,810	D88	\$4,885,255	4,355,495	7,163,860	0	0	11,519,355	O K
17 COE Transmission Equipment	110,247,180	D85	79,188,470	7,769,358	13,317,354	70,384	9,871,735	31,058,710	O K
18									
19 Total COE	\$207,959,688		\$164,969,819	\$12,155,109	\$20,882,081	\$70,384	\$9,871,735	\$42,959,289	O K
20 Info. Orig./Term. Equipment	5,774,082	D84	4,325,909	578,852	871,301	0	0	1,448,153	O K
21 Cable and Wire Facilities	221,815,553	D137	168,851,705	21,053,614	31,809,025	20,330	2,140,891	55,123,850	O K
22									
23 Total COE, IOT, C&WF	\$435,548,705		\$336,017,433	\$33,785,575	\$53,642,387	\$90,694	\$12,012,616	\$99,531,272	O K
24									
25 Total Capital Leases	\$6,265,303	D173	\$4,848,992	\$487,552	\$774,101	\$1,309	\$173,351	\$1,438,313	O K
26									
27 Leasehold Improvements	\$8,487	D198	\$6,548	\$658	\$1,045	\$2	\$234	\$1,939	O K
28									
29 Intangible Assets	\$139,658	D209	\$107,743	\$10,833	\$17,200	\$29	\$3,852	\$31,915	O K
30									
31									
32 Total Tele. Plt. In Service	\$527,383,247		\$408,850,583	\$40,907,642	\$64,950,310	\$102,813	\$14,544,900	\$120,512,664	O K
33									
34 Plant Hold, Future Use	\$0	D214-215	\$0	\$0	\$0	\$0	\$0	\$0	O K
35 TPUC, Short-term	0	D216-217	0	0	0	0	0	0	O K
36 TPUC, Long-term	0	D218-219	0	0	0	0	0	0	O K
37 Tel. Plt. Adjustment	0	D220-221	0	0	0	0	0	0	O K
38									
39 Total Other Tel. Plt.	\$0		\$0	\$0	\$0	\$0	\$0	\$0	O K
40									
41									
42 TOTAL TELEPHONE PLANT	\$527,383,247		\$408,850,583	\$40,907,642	\$64,950,310	\$102,813	\$14,544,900	\$120,512,664	O K

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U S WEST COMMUNICATIONS

		Intrastate								
		TOTAL COMPANY	Source/ Allocator	Interstate	Message Telephone Service		Private Line		TOTAL INTRASTATE	
					InterLATA	IntraLATA	InterLATA	IntraLATA		
***** FCC PART 38 ***** Investment Summary										
(A)		(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	
50	Other Assets, Net	0	V105	0	0	0	0	0	0	OK
57	Accumulated Depr./Amort	(270,908,954)	E34	(207,989,114)	(21,470,242)	(34,007,542)	(58,018)	(7,388,039)	(82,919,840)	OK
58	Accum. Def. Inc. Taxes, Net	(48,689,234)	E47	(37,045,912)	(3,233,792)	(5,198,032)	(10,312)	(1,401,188)	(5,843,322)	OK
59	Oth. Liab. & Def. Cr., Net	555,135	V108	462,435	22,328	52,348	143	17,880	92,700	OK
60										
61	TOTAL NET PLANT	\$210,120,194		\$162,277,991	\$16,225,935	\$25,797,084	\$43,828	\$5,775,554	\$47,842,203	OK
62										
63	Materials and Supplies	400,928	H31	361,412	45,647	66,183	44	4,642	119,518	OK
64	Rural Tel. Bank Stock	0	H35	0	0	0	0	0	0	OK
65	Cash Working Capital	4,022,347	Formula	2,909,014	237,050	788,873	832	66,577	1,113,333	OK
66	Equal Access Investment	0	—	0	0	0	0	0	0	OK
67										
68	TOTAL NET INVESTMENT	\$214,623,469		\$165,549,417	\$16,508,633	\$26,655,141	\$44,504	\$5,866,773	\$49,075,052	OK
69										

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U S WEST COMMUNICATIONS

Intrastate								
***** FCC PART 36 ***** Plant Investment Detail (A)	TOTAL COMPANY (B)	Source/ Allocator (C)	Interstate and Other (D)	Message Telephone Service		Private Line		TOTAL INTRASTATE (I)
				InterLATA (E)	IntraLATA (F)	InterLATA (G)	IntraLATA (H)	
13 LAND AND SUPPORT ASSETS:								
14 Land, Allocable	\$1,442,432	H33	\$1,112,808	\$111,890	\$177,651	\$300	\$39,783	\$329,624 O.K.
15 Land, Direct	0	V22	0	0	0	0	0	0 O.K.
16								
17 Total Land	\$1,442,432		\$1,112,808	\$111,890	\$177,651	\$300	\$39,783	\$329,624 O.K.
18								
19 Motor Vehicles	\$4,555,942	H33	\$3,514,821	\$353,405	\$561,112	\$949	\$125,655	\$1,041,121 O.K.
20 Aircraft	0	H33	0	0	0	0	0	0 O.K.
21 Special Purpose Vehicle	0	H33	0	0	0	0	0	0 O.K.
22 Garage Work Equipment	48,200	H33	37,185	3,739	5,936	10	1,329	11,015 O.K.
23 Other Work Equipment	4,480,058	H33	3,456,278	347,519	\$51,768	933	123,562	1,023,780 O.K.
24 Buildings, Allocable	65,454,911	H33	50,497,203	5,077,347	8,061,459	13,630	1,803,274	14,957,708 O.K.
25 Buildings, Direct	0	V29	0	0	0	0	0	0 O.K.
26 Furniture	561,815	H33	433,429	43,580	69,193	117	15,495	128,388 O.K.
27 Office Equipment	2,859,655	H33	2,200,189	221,324	352,194	595	73,870	653,488 O.K.
28 General Purpose Computers	5,978,079	H33	4,811,973	463,720	738,263	1,245	164,878	1,366,103 O.K.
29								
30 Total Support Assets	\$80,938,880		\$64,757,059	\$6,511,134	\$10,337,925	\$17,479	\$2,315,063	\$19,181,601 O.K.
31								
32 Tot. Land and Support Assets	\$85,351,092		\$65,806,867	\$6,623,023	\$10,515,578	\$17,779	\$2,354,846	\$19,511,225 O.K.
33	*****		*****	*****	*****	*****	*****	*****
34								
35								
36 CENTRAL OFFICE EQUIPMENT:								
37								
38 CAT 1 Oper. Sys., TSPS	\$0	G22	\$0	\$0	\$0	\$0	\$0	\$0 O.K.
39 CAT 1 Oper. Sys., Other TSPS	0	G21	0	0	0	0	0	0 O.K.
40 CAT 1 Oper. Sys., Aux. Pos	0	G23	0	0	0	0	0	0 O.K.
41 CAT 1 Oper. Sys., Other	1,307,298	V36	926,094	358	380,846	0	0	381,204 O.K.
42								
43 Total CAT 1	\$1,307,298		\$926,094	\$358	\$380,846	\$0	\$0	\$381,204 O.K.
44	*****		*****	*****	*****	*****	*****	*****
45								
46 CAT 2 Tandem Sw. Allocable	\$7,337,701	G26	\$4,575,137	\$379,726	\$2,382,830	\$0	\$0	\$2,762,564 O.K.
47 CAT 2 Tandem Sw. Direct	0	V38	0	0	0	0	0	0 O.K.
48								
49 Total CAT 2	\$7,337,701		\$4,575,137	\$379,726	\$2,382,830	\$0	\$0	\$2,762,564 O.K.

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U S WEST COMMUNICATIONS

***** FCC PART 38 ***** Plant Investment Detail		TOTAL COMPANY	Source/ Allocator	Interstate and Other	Intrastate				TOTAL INTRASTATE	
					Message Telephone Service		Private Line			
					InterLATA	IntraLATA	InterLATA	IntraLATA		
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)		
03 CAT 3 Local Sw. Allocable	\$89,086,909	G15	\$80,310,118	\$3,975,769	\$4,781,023	\$0	\$0	\$8,758,791	O.K.	
04 CAT 3 Local Sw. Direct	0	V40	0	0	0	0	0	0	O.K.	
05										
06 Total CAT 3	\$89,086,909		\$80,310,118	\$3,975,769	\$4,781,023	\$0	\$0	\$8,758,791	O.K.	
07									O.K.	
08 Total COE Sw. CAT 2&3	\$96,404,810		\$84,835,255	\$4,355,495	\$7,163,860	\$0	\$0	\$11,519,355	O.K.	
09										
70										
71 COE TRANSMISSION:										
72										
73 CAT 4 12 Exchange Trunk	\$12,735,379	123	\$9,041,823	\$41,871	\$0	\$22,838	\$3,658,742	\$3,723,451	O.K.	
74 CAT 4 12 Exch. Tr. Direct	23,389,555	V42	20,533,425	0	0	11,989	2,824,141	2,836,130	O.K.	
75 CAT 4 13 Exch. Ln. Message	37,553,650	G13	28,165,237	3,745,639	5,842,774	0	0	9,398,412	O.K.	
76 CAT 4 13 PL, WATS, Local	1,861,445	F18	1,560,302	0	0	2,679	318,465	321,145	O.K.	
77 CAT 4 13 Direct	0	V45	0	0	0	0	0	0	O.K.	
78 CAT 4 23 Message	15,759,399	G18	9,552,016	2,031,687	4,174,715	0	0	6,206,382	O.K.	
79 CAT 4 23 PL, WATS	4,069,471	F24	1,586,228	0	0	32,850	3,070,387	3,103,245	O.K.	
80 CAT 4 23 Direct	0	V49	0	0	0	0	0	0	O.K.	
81 CAT 4 3 W/H Message	14,249,281	G29	8,789,335	1,980,080	3,480,863	0	0	5,479,946	O.K.	
82 CAT 4 3 WATS	0	V50	0	0	0	0	0	0	O.K.	
83 CAT 4 3 Direct	0	V51	0	0	0	0	0	0	O.K.	
84										
85 Total COE CAT 4	\$110,247,180		\$79,188,470	\$7,799,259	\$13,317,354	\$70,364	\$9,871,735	\$31,058,710	O.K.	
86										
87										
88 INFORMATION ORIGINATOR/TERMINATION:										
89										
90 CAT 1 Other IOT Equipment	\$5,741,822	G13	\$4,308,367	\$572,895	\$882,760	\$0	\$0	\$1,435,456	O.K.	
91 CAT 1 Coinless Pay Phones	32239	G18	19,542	4,156	3,541	0	0	12,697	O.K.	
92 CAT 3 CP Equipment	1	V70	1	0	0	0	0	0	O.K.	
93										
94 Total IOT Equipment	\$5,774,062		\$4,325,909	\$576,952	\$871,301	\$0	\$0	\$1,448,153	O.K.	
95										
96										

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U S WEST COMMUNICATIONS

***** FCC PART 38 ***** Plant Investment Detail		TOTAL COMPANY	Source/ Allocator	Interstate and Other	Intrastate				TOTAL INTRASTATE	
					Message Telephone Service		Private Line			
					InterLATA	IntraLATA	InterLATA	IntraLATA		
					(E)	(F)	(G)	(H)		
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)		
111 CABLE AND WIRE FACILITIES.										
112										
113 CAT 1.1 IntraLATA PL/WATS	10,184,170	F31	\$3,457,875	\$0	\$0	\$0	\$1,723,285	\$1,726,295	O.K.	
114 CAT 1.2 InterLATA PL/WATS	14,524	F31	0	0	0	14,524	0	14,524	O.K.	
115 CAT 1.3 Joint Message	203,565,019	G13	152,074,364	20,303,658	30,587,596	0	0	50,891,455	O.K.	
116 Other CAT 1 C&WF	0	V74	0	0	0	0	0	0	O.K.	
117										
118 Total CAT 1 C&WF	\$213,734,513		\$181,132,240	\$20,303,858	\$30,587,596	\$14,524	\$1,728,295	\$52,832,273	O.K.	
119										
120 CAT 2 C&WF	\$2,257,391	G28	\$2,133,912	\$70,372	\$0	\$871	\$52,238	\$123,479	O.K.	
121 CAT 2 C&WF, Wideband	19,187,395	V76	13,082,867	0	0	37,512	8,087,016	8,134,528	O.K.	
122										
123 Total CAT 2 C&WF	\$21,454,788		\$15,165,779	\$70,372	\$0	\$38,383	\$8,149,252	\$8,258,007	O.K.	
124										
125 CAT 3 Joint Message	2,484,805	G17	1,507,627	302,466	654,711	0	0	\$957,177	O.K.	
126 CAT 3 PL/WATS etc.	815,098	F38	248,614	0	0	4,935	362,350	367,285	O.K.	
127 CAT 3 Direct	529	V79	28	0	501	0	0	501	O.K.	
128										
129 Total CAT 3 C&WF	\$3,081,232		\$1,756,269	\$302,463	\$655,212	\$4,935	\$362,350	\$1,324,603	O.K.	
130										
131 CAT 4 Message	\$2,712,419	G29	\$1,669,285	\$378,918	\$666,216	\$0	\$0	\$1,043,134	O.K.	
132 CAT 4 WATS	0	V81	0	0	0	0	0	0	O.K.	
133 CAT 4 Direct	0	V82	0	0	0	0	0	0	O.K.	
134										
135 Total CAT 4 C&WF	\$2,712,419		\$1,669,285	\$378,918	\$666,216	\$0	\$0	\$1,043,134	O.K.	
136										
137 TOTAL C&WF	\$221,315,555		\$186,691,705	\$21,053,614	\$31,809,025	\$20,330	\$2,140,881	\$55,123,850	O.K.	
138	*****		*****	*****	*****	*****	*****	*****		
139										
140 CAPITAL LEASES:										
141										
142 Allocable Support Leases	\$8,285,305	H14	\$4,848,892	\$487,552	\$774,101	\$1,309	\$173,351	\$1,436,313	O.K.	
143 Direct Support Leases	0	V84	0	0	0	0	0	0	O.K.	
144										
145 Total Support Leases	\$8,285,305		\$4,848,892	\$487,552	\$774,101	\$1,309	\$173,351	\$1,436,313	O.K.	

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U S WEST COMMUNICATIONS

Intrastate								
***** FCC PART 38 ***** Plant Investment Detail	TOTAL COMPANY	Source/ Allocator	Interstate and Other	Message Telephone Service		Private Line		TOTAL INTRASTATE
				InterLATA	IntraLATA	InterLATA	IntraLATA	
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
160								
161 COE Operator	\$0	H18	\$0	\$0	\$0	\$0	\$0	\$0 OK
162 COE Tandem Switch	0	H17	0	0	0	0	0	0 OK
163 COE Local Switch	0	H18	0	0	0	0	0	0 OK
164 COE Transmission	0	H20	0	0	0	0	0	0 OK
165 COE Direct	0	V89	0	0	0	0	0	0 OK
166								
167 Total COE Leases	\$0		\$0	\$0	\$0	\$0	\$0	\$0 OK
168								
169 IOT Leases	\$0	V90	\$0	\$0	\$0	\$0	\$0	\$0 OK
170								
171 C&WF Leases	\$0	V91	\$0	\$0	\$0	\$0	\$0	\$0 OK
172								
173 TOTAL CAPITAL LEASES	\$6,285,305		\$4,848,992	\$487,552	\$774,101	\$1,309	\$173,351	\$1,438,313 OK
174	*****		*****	*****	*****	*****	*****	*****
175								
176 LEASEHOLD IMPROVEMENTS:								
177								
178 Land and Support Assets	\$8,457	H14	\$8,548	\$858	\$1,045	\$2	\$234	\$1,239 OK
179 COE Switching	0	H18	0	0	0	0	0	0 OK
180 COE Operator	0	H18	0	0	0	0	0	0 OK
181 COE Transmission	0	H20	0	0	0	0	0	0 OK
182 IOT	0	V96	0	0	0	0	0	0 OK
183 C&WF	0	V97	0	0	0	0	0	0 OK
184 Other	0	V96	0	0	0	0	0	0 OK
185								
186 TOTAL LEASEHOLD IMPROVEMEN	\$8,487		\$8,548	\$858	\$1,045	\$2	\$234	\$1,939 OK
187	*****		*****	*****	*****	*****	*****	*****
188								
189 TPIS, EXCL ACCT. No. 2090	\$527,223,589		\$406,742,649	\$40,686,608	\$64,933,106	\$109,784	\$14,541,048	\$120,430,749 OK

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U S WEST COMMUNICATIONS

Intrastate								
***** FCC PART 38 ***** Plant Investment Detail	TOTAL COMPANY	Source/ Allocator	Interstate and Other	Message Telephone Service		Private Line		TOTAL INTRASTATE
				InterLATA	IntraLATA	InterLATA	IntraLATA	
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
204 INTANGIBLE ASSETS:								
205								
206 Allocable Acct. No. 2890	\$139,858	H38	\$107,743	\$10,833	\$17,200	\$29	\$3,652	\$31,915 O.K.
207 Direct Acct. No. 2890	0	V100	0	0	0	0	0	0 O.K.
208								
209 Total Intangible Assets	\$139,858		\$107,743	\$10,833	\$17,200	\$29	\$3,652	\$31,915 O.K.
210	*****		*****	*****	*****	*****	*****	*****
211								
212 OTHER TELEPHONE PLANT:								
213								
214 Held for Fut. Use - Alloc.	\$0	---	\$0	\$0	\$0	\$0	\$0	\$0 O.K.
215 Held for Fut. Use - Direct	0	---	0	0	0	0	0	0 O.K.
216 TPUC, Short-term - Alloc.	0	H35	0	0	0	0	0	0 O.K.
217 TPUC, Short-term - Direct	0	V124	0	0	0	0	0	0 O.K.
218 TPUC, Long-term - Alloc.	0	H35	0	0	0	0	0	0 O.K.
219 TPUC, Long-term - Direct	0	V128	0	0	0	0	0	0 O.K.
220 Tele. Plt. Adjust. - Alloc.	0	H35	0	0	0	0	0	0 O.K.
221 Tele. Plt. Adjust. - Direct	0	V104	0	0	0	0	0	0 O.K.
222								
223 Total Other Telephone Plant	\$0		\$0	\$0	\$0	\$0	\$0	\$0 O.K.

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U S WEST COMMUNICATIONS

Intrastate								
***** FCC PART 38 ***** Reserves and Deferrals	TOTAL COMPANY	Source/ Allocator	Interstate and Other	Message Telephone Service		Private Line		TOTAL INTRASTATE
				InterLATA	IntraLATA	InterLATA	IntraLATA	
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
13 ACCUM. DEPRECIATION, TPIS:								
14								
15 Support Assets	\$25,550,430	H13	\$19,711,664	\$1,981,950	\$3,146,803	\$5,320	\$704,692	\$5,638,768 O.K.
16 COE Switching	45,393,481	H19	39,989,433	2,050,847	3,373,208	0	0	5,424,053 O.K.
17 COE Operator	943,751	H18	868,558	258	274,938	0	0	275,195 O.K.
18 COE Transmission	59,536,014	H20	42,799,510	4,215,515	7,197,718	35,030	5,335,441	18,786,504 O.K.
19 IOT Equipment	3,801,342	H25	2,847,954	379,769	573,519	0	0	653,388 O.K.
20 Cable and Wire Facilities	133,305,318	H31	100,177,333	12,652,889	19,176,485	12,218	1,286,613	33,127,985 O.K.
21 Other Plant	178,774	V135	158,104	22,670	0	0	0	22,670 O.K.
22								
23 Total Accum. Depr., TPIS	\$288,750,120		\$208,330,559	\$21,303,479	\$33,742,768	\$55,568	\$7,326,746	\$62,428,561 O.K.
24								
25 ACCUM. AMORTIZATION:								
26								
27 Accum. Depreciation, PHFU	\$0	H38	\$0	\$0	\$0	\$0	\$0	\$0 O.K.
28 Accum. Amort., Tangible Inv.	2,121,706	H40	1,638,855	164,581	261,310	442	58,518	434,851 O.K.
29 Accum. Amort., Intang. Inv.	28,128	H41	21,700	2,182	3,484	6	776	6,428 O.K.
30 Accum. Amort., Other	0	V138	0	0	0	0	0	0 O.K.
31								
32 Tot. Accum. Amortization	\$2,149,834		\$1,658,556	\$166,763	\$264,775	\$448	\$59,293	\$491,278 O.K.
33								
34 Total Accum. Depr./Amort.	\$270,908,954		\$207,989,114	\$21,470,242	\$34,007,542	\$56,018	\$7,386,039	\$62,919,840 O.K.
35								
36								
37 ACCUM. DEF. INC. TAXES, NET:								
38								
39 Support Assets	10,962,345	H13	\$8,457,238	\$850,351	\$1,350,128	\$2,283	\$302,346	\$2,595,107 O.K.
40 COE Switching	15,239,086	H19	13,418,173	888,462	1,132,422	0	0	1,820,913 O.K.
41 COE Operator	(18,385)	H18	(13,024)	(5)	(5,358)	0	0	(5,381) O.K.
42 COE Transmission	11,344,303	H20	8,148,399	802,534	1,370,340	7,240	1,015,780	3,195,904 O.K.
43 IOT Equipment	748,800	H25	559,350	74,588	112,581	0	0	187,250 O.K.
44 Cable and Wire Fac.	8,604,823	H31	6,466,420	818,728	1,237,637	789	93,051	2,138,403 O.K.
45 Unclassified	10,402	V145	9,358	1,106	0	0	0	1,106 O.K.
46								
47 Total Accum. Def. Inc. Taxes	\$48,889,234		\$37,045,612	\$3,233,792	\$5,198,032	\$10,312	\$1,401,186	\$6,643,322 O.K.

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U S WEST COMMUNICATIONS

Private Line									
***** FCC PART 38 ***** Functional Distribution of Selected Investments	TOTAL COMPANY	Joint Use Message	Interstate		Intrastate		Extended Area Service	Other	
			InterLATA	IntraLATA	InterLATA	IntraLATA			
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	
13 TRANS. COT EQUIPMENT:									
14									
15 Working Loops	309,076	294,330	0	0	21	2,406	0	12,229	OK
16 Avg. Cost per Loop	127.59	127.59	127.59	127.59	127.59	127.59	127.59	127.59	
17									
18 CAT 4.13 Exch Ln. Invest.	\$38,435,000	\$37,553,650	\$0	\$0	\$2,679	\$318,468	\$0	\$1,360,302	
19									
20									
21 Circuit Terminations	10,788	12,949	2	0	27	2,523	0	1,285	OK
22 Avg. Cost per Termination	1,218.88	1,218.88	1,218.88	1,218.88	1,218.88	1,218.88	1,218.88	1,218.88	
23									
24 CAT 4.23 Other IX	\$30,427,889	\$15,758,398	\$2,434	\$0	\$32,858	\$3,070,387	\$0	\$1,583,792	
25									
26									
27 C&WF INVESTMENT:									
28									
29 Working Loops	309,076	294,330	0	0	21	2,406	0	12,229	
30 Loops Factor	1.000000	0.952290	0.000000	0.000000	0.000033	0.006076	0.000000	0.039568	
31 CAT 1 Exchanges C&WF	\$213,784,513	\$203,565,819	\$0	\$0	\$14,524	\$1,726,295	\$0	\$8,457,875	OK
32									
33									
34 Equivalent IX Circuit Miles	2,086,337	1,353,232	352	0	3,310	243,041	0	188,402	OK
35 IX Cct. Miles Factor	1.000000	0.800070	0.000170	0.000000	0.001802	0.117819	0.000000	0.063530	
36 CAT 3 Interexch. C&WF	\$3,080,703	\$2,484,805	\$525	\$0	\$4,935	\$302,350	\$0	\$248,089	

U S WEST COMMUNICATIONS

Intrastate

***** FCC PART 38 ***** Physical Allocation Factors		Source/ Allocator	Interstate and Other	Message Telephone Service		Private Line		TOTAL INTRASTATE	
(A)	TOTAL COMPANY (B)			InterLATA (E)	IntraLATA (F)	InterLATA (G)	IntraLATA (H)		
13 Subscriber Plant Fact. (SPF)	1.000000	SPF	0.750000	0.099741	0.150259	0.000000	0.000000	0.250000	O K
14									
15 Dist. Equipment Minutes (DEM)	1.000000	DEM	0.901883	0.044638	0.053879	0.000000	0.000000	0.099317	O K
16									
17 Conversation Minutes-Miles	1.000000	CMM	0.611862	0.122714	0.265824	0.000000	0.000000	0.383338	O K
18 Conversation Minutes	1.000000	CM	0.606154	0.128923	0.284920	0.000000	0.000000	0.393843	O K
19 Subscriber Minutes (SLU)	1.000000	SLU	0.901655	0.044400	0.053733	0.000000	0.000000	0.099133	O K
20									
21 TSPS Processor Time	0.000000	TSP	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	O K
22 Wid. Stand. Work Sec., Toll	0.000000	WST	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	O K
23 Wid. Stand. Work Sec., Aux.	1.000000	WSA	0.707266	0.000000	0.292734	0.000000	0.000000	0.292734	O K
24 Wid. Stand. Work Sec., Comb.	1.000000	WSC	0.600514	0.000193	0.399290	0.000000	0.000000	0.399483	O K
25									
26 COE CAT 2 Minutes	1.000000	CT2	0.623511	0.051750	0.324739	0.000000	0.000000	0.376469	O K
27									
28 Exchange Trunk Minutes	1.000000	ETM	0.945300	0.031174	0.000000	0.000363	0.023140	0.054700	O K
29 MOU-Mi., Host/Remote	1.000000	HRM	0.615423	0.138960	0.245617	0.000000	0.000000	0.384577	O K
30									
31 C&WF CAT 4, WATS	0.000000	CT4	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	O K
32									
33 Equal Access MOU	1.000000	EAM	0.873321	0.126579	0.000000	0.000000	0.000000	0.126679	O K
34									
35 Current Billings	1.000000	CB	0.740869	0.033650	0.184071	0.000181	0.032249	0.250131	O K
36 EU Presubscription Factor	1.000000	EPRE	0.979937	0.000000	0.002213	0.000513	0.017337	0.020063	O K
37 EU MTS & WATS Factor	1.000000	EMTS	0.728783	0.027830	0.208345	0.000000	0.028942	0.271217	O K
38 EU Access, P/L and All Other Factor	1.000000	EPLO	0.272680	0.000122	0.721506	0.000012	0.005880	0.727320	O K
39 IX Special Access Factor	1.000000	ISPA	0.607449	0.083137	0.000000	0.009414	0.000000	0.092551	O K
40 IX Switched Access Factor	1.000000	ISWA	0.944391	0.154870	0.000000	0.000739	0.000000	0.155609	O K
41 IX Billing & Collection Services Factor	1.000000	IBC	0.890928	0.303194	0.000000	0.005880	0.000000	0.309074	O K
42 Coin Revenue Percent	1.000000	CR	0.887026	0.102320	0.010654	0.000000	0.000000	0.112974	O K
43 Relative Toll/Local Msgs.	1.000000	TLM	0.634387	0.147004	0.218539	0.000000	0.000000	0.365533	O K
44 Relative Users Percent	1.000000	RUP	0.786601	0.085275	0.148124	0.000000	0.000000	0.233399	O K
45 CABS Percent	1.000000	CAB	0.500000	0.500000	0.000000	0.000000	0.000000	0.500000	O K
46 Foreign Directories Percent	1.000000	FD	1.000000	0.000000	0.000000	0.000000	0.000000	0.000000	O K

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		Intrastate								
***** FCC PART 36 ***** Internal Allocation Factors		TOTAL COMPANY	Source/ Allocator	Interstate and Other	Message Telephone Service		Private Line		TOTAL INTRASTATE	
(A)					InterLATA	IntraLATA	InterLATA	IntraLATA		
		(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	
13	Support Assets	1.000000	D31	0.771481	0.077570	0.123160	0.000208	0.027580	0.228519	OK
14	Land and Support Assets	1.000000	D33	0.771481	0.077570	0.123160	0.000208	0.027580	0.228519	OK
15										
16	COE Operator	1.000000	D43	0.705403	0.000274	0.291323	0.000000	0.000000	0.291567	OK
17	COE Tandem Switching	1.000000	D49	0.623511	0.051750	0.324739	0.000000	0.000000	0.376459	OK
18	COE Local Switching	1.000000	D63	0.901030	0.044838	0.053879	0.000000	0.000000	0.096317	OK
19	COE Total Switching	1.000000	D68	0.689510	0.045179	0.074210	0.000000	0.000000	0.118430	OK
20	COE Transmission	1.000000	D83	0.719281	0.070743	0.120795	0.000039	0.089542	0.281719	OK
21	Total COE	1.000000	C19	0.793424	0.056450	0.100318	0.000338	0.047470	0.206576	OK
22										
23	Info. Orig./Term. CAT 1	1.000000	D90	0.750000	0.089741	0.150259	0.000000	0.000000	0.250000	OK
24	Info. Orig./Term. CAT 2	1.000000	D92	1.000000	0.000000	0.000000	0.000000	0.000000	0.000000	OK
25	Total IOT	1.000000	D94	0.749197	0.089904	0.150899	0.000000	0.000000	0.250803	OK
26										
27	C&WF CAT 1	1.000000	D116	0.753784	0.094982	0.143090	0.000000	0.000078	0.246218	OK
28	C&WF CAT 2	1.000000	D120	0.945300	0.031174	0.000000	0.000368	0.023140	0.054700	OK
29	C&WF CAT 3	1.000000	D129	0.568609	0.093164	0.212643	0.001602	0.117599	0.430011	OK
30	C&WF CAT 4	1.000000	D135	0.615423	0.138960	0.245817	0.000000	0.000000	0.384577	OK
31	Total C&WF	1.000000	D137	0.751488	0.094915	0.143854	0.000092	0.006352	0.248512	OK
32										
33	Total Equipment	1.000000	C23	0.771481	0.077570	0.123160	0.000208	0.027580	0.228519	OK
34										
35	TPIS	1.000000	C32	0.771481	0.077570	0.123160	0.000208	0.027580	0.228519	OK
36	TPIS, excl. Acct. No. 2690	1.000000	D189	0.771481	0.077570	0.123160	0.000208	0.027580	0.228519	OK
37										
38	Pit. Held, Fut. Use	0.000000	D215	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	OK
39										
40	Total Tangible Assets	1.000000	C25	0.771481	0.077570	0.123160	0.000208	0.027580	0.228519	OK
41	Total Intangible Assets	1.000000	C29	0.771481	0.077570	0.123160	0.000208	0.027580	0.228519	OK
42										
43	Long-term PUC	0.000000	C36	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	OK
44	Net Telephone Plant	1.000000	C61	0.772310	0.077222	0.122773	0.000208	0.027487	0.227690	OK
45	Total Net Investment	1.000000	C68	0.771343	0.078010	0.124195	0.000207	0.027335	0.228357	OK
46	Capital Leases	1.000000	D173	0.771481	0.077570	0.123160	0.000208	0.027580	0.228519	OK
47										
48	Tot. Bus. Ofc., Cust. Serv.	1.000000	I141	0.795674	0.037842	0.151554	0.000413	0.014517	0.204326	OK
49										
50	Total "BIG THREE" Expenses	1.000000	I170	0.760833	0.058815	0.158490	0.000220	0.021642	0.239167	OK
51										
52	Corporate Operations Expense	1.000000	I185	0.760933	0.058815	0.158490	0.000220	0.021642	0.239167	OK

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U S WEST COMMUNICATIONS

				Intrastate					
***** FCC PART 36 ***** Operating Expenses and Taxes				TOTAL COMPANY	Source/ Allocator	Intrastate and Other	Message Telephone ServicePrivate Line		TOTAL INTRASTATE
(A)	(B)	(C)	(D)	InterLATA (E)	IntraLATA (F)	InterLATA (G)	IntraLATA (H)	(I)	
13 PLANT SPEC. OPER. EXPENSE:									
14									
15 Network Support, Alloc.	\$103,178	H14	\$79,600	\$8,004	\$12,707	\$21	\$2,848	\$23,578	O.K.
16 Network Support, Direct	0	V149	0	0	0	0	0	0	O.K.
17									
18 Total Network Support Exp.	\$103,178		\$79,600	\$8,004	\$12,707	\$21	\$2,848	\$23,578	C.K.
19									
20 General Support, Alloc.	\$7,048,211	H14	\$5,438,018	\$548,578	\$887,815	\$1,487	\$194,337	\$1,810,195	O.K.
21 General Support, Direct	0	V151	0	0	0	0	0	0	O.K.
22									
23 Total General Support Exp.	\$7,048,211		\$5,438,018	\$548,578	\$887,815	\$1,487	\$194,337	\$1,810,195	O.K.
24									
25 Central Office Eq., Alloc.	\$5,808,194	H21	\$4,449,678	\$327,796	\$562,803	\$1,898	\$268,219	\$1,158,516	O.K.
26 Central Office Eq., Direct	0	V153	0	0	0	0	0	0	O.K.
27									
28 Total COE Exp.	\$5,808,194		\$4,449,678	\$327,796	\$562,803	\$1,898	\$268,219	\$1,158,516	O.K.
29									
30 Cust. Premises Equip.	\$2,288	H24	\$2,288	\$0	\$0	\$0	\$0	\$0	O.K.
31 Coinless Pay Phone	3,359	G18	2,038	433	890	0	0	1,323	O.K.
32 Other IOT	980,000	H23	735,000	97,748	147,254	0	0	245,000	O.K.
33 IOT Direct	0	V157	0	0	0	0	0	0	O.K.
34									
35 Total IOT Exp.	\$985,647		\$739,324	\$98,178	\$148,144	\$0	\$0	\$246,323	O.K.
36									
37 Cable & Wire, Alloc.	\$8,802,645	H31	\$8,615,081	\$835,503	\$1,268,295	\$807	\$84,980	\$2,187,584	O.K.
38 Cable & Wire, Direct	0	V159	0	0	0	0	0	0	O.K.
39									
40 Total C&WF Exp.	\$8,802,645		\$8,615,081	\$835,503	\$1,268,295	\$807	\$84,980	\$2,187,584	O.K.
41									
42 TOTAL PLT. SPEC. OPER. EXP.	\$22,545,875		\$17,318,699	\$1,816,057	\$2,857,564	\$4,193	\$548,382	\$5,228,176	O.K.
43									
44 TOTAL PLT. SPEC., ex SUPPORT	\$15,396,486		\$11,804,083	\$1,261,478	\$1,977,042	\$2,704	\$351,179	\$3,592,403	O.K.

U S WEST COMMUNICATIONS

				Intrastate					
				Message Telephone Service		Private Line			
***** FCC PART 36 ***** Operating Expenses and Taxes	TOTAL COMPANY	Source/ Allocation	Interstate and Other	InterLATA	IntraLATA	InterLATA	IntraLATA	TOTAL INTRASTATE	
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	
58 NON-SPECIFIC OPER. EXP.:									
59									
60 Oth. Plt. and Equip., Alloc.	(\$123,273)	H36	(\$95,103)	(\$9,582)	(\$15,132)	(\$28)	(\$3,400)	(\$28,170)	O.K.
61 Oth. Plt. and Equip., Direct	0	V177	0	0	0	0	0	0	O.K.
62									
63 Total Oth. Plt. & Equip.	(\$123,273)		(\$95,103)	(\$9,582)	(\$15,132)	(\$28)	(\$3,400)	(\$28,170)	O.K.
64									
65 Network Operations, Alloc.	\$12,828,078	H33	\$9,898,615	\$995,078	\$1,579,912	\$2,671	\$353,804	\$2,931,463	O.K.
66 Network Operations, Direct	0	V179	0	0	0	0	0	0	O.K.
67									
68 Total Network Oper. Exp.	\$12,828,078		\$9,898,615	\$995,078	\$1,579,912	\$2,671	\$353,804	\$2,931,463	O.K.
69									
70 Total Access Expenses	\$5,080,710	V180	\$4,485	\$0	\$5,086,225	\$0	\$0	\$5,086,225	O.K.
71									
72 Depr., Support Assets	\$1,959,081	H13	\$1,511,393	\$151,988	\$241,281	\$400	\$54,032	\$447,688	O.K.
73 Depr., COE Switching	18,898,508	H19	14,877,550	783,373	1,255,585	0	0	2,018,958	O.K.
74 Depr., COE Operator	(2,516,807)	H18	(1,732,985)	(889)	(733,233)	0	0	(733,822)	O.K.
75 Depr., COE Transmission	7,389,955	H20	5,293,700	521,375	890,257	4,704	659,919	2,078,255	O.K.
76 Depr., IGT Equipment	429,600	H25	321,655	42,919	64,823	0	0	107,745	O.K.
77 Depr., C&W Facilities	18,773,121	H31	14,107,773	1,781,850	2,700,596	1,721	181,191	4,685,348	O.K.
78 Depr., PHFU	0	H38	0	0	0	0	0	0	O.K.
79									
80 Total Depreciation Expense	\$42,911,358		\$34,320,288	\$3,280,794	\$4,419,303	\$6,832	\$895,143	\$8,582,072	O.K.
81									
82 Amort., Tangible Assets	\$1,345,809	H40	\$1,038,208	\$104,395	\$185,750	\$280	\$37,118	\$307,543	O.K.
83 Amort., Intangible Assets	5,228	H41	4,034	408	644	1	144	1,195	O.K.
84 Other Amortization	0	V189	0	0	0	0	0	0	O.K.
85 Direct Assigned Amort.	31,881	V190	27,800	4,081	0	0	0	4,081	O.K.
86									
87 Total Amortization Exp.	\$1,382,619		\$1,070,100	\$108,891	\$186,394	\$281	\$37,262	\$312,816	O.K.
88									
89 Total Depr. and Amort	\$44,294,277		\$35,399,388	\$3,389,675	\$4,585,697	\$7,114	\$932,405	\$8,894,891	O.K.
90									
91 TOTAL NON-SPEC. OPER. EXP.	\$62,080,792		\$45,205,383	\$4,355,189	\$11,236,652	\$9,759	\$1,282,808	\$10,884,409	O.K.

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U S WEST COMMUNICATIONS

Intrastate								
***** FCC PART 38 ***** Operating Expenses and Taxes	TOTAL COMPANY	Source/ Allocator	Interstate and Other	Message Telephone Service		Private Line		TOTAL INTRASTATE
				InterLATA	IntraLATA	InterLATA	IntraLATA	
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
105 CUSTOMER OPERATIONS EXPENSE:								
106								
107 Marketing, Allocable	\$8,044,003	G35	\$4,532,210	\$203,381	\$1,112,526	\$973	\$194,913	\$1,511,793
108 Marketing, Direct	166,211	V192	166,211	0	0	0	0	0
109								O.K.
110 Total Marketing Expense	\$8,213,214		\$4,701,421	\$203,381	\$1,112,526	\$973	\$194,913	\$1,511,793
111								O.K.
112 Operator Service, Alloc.	\$3,806,792	G24	\$2,162,328	\$706	\$1,437,780	\$0	\$0	\$1,438,468
113 Operator Service, Direct	0	V194	0	0	0	0	0	0
114								O.K.
115 Total Operator Service	\$3,806,792		\$2,162,328	\$706	\$1,437,780	\$0	\$0	\$1,438,468
116								O.K.
117 Classified Directory	\$0	V185	\$0	\$0	\$0	\$0	\$0	\$0
118 Alphabetical Directory	48,085	G16	41,562	2,046	2,478	0	0	4,523
119 Foreign Directory	0	G48	0	0	0	0	0	0
120								O.K.
121 Total Directory	\$46,085		\$41,562	\$2,046	\$2,478	\$0	\$0	\$4,523
122								O.K.
123 Bus. Ofc., EU Presubscription	\$4,674,162	G36	\$4,590,364	\$0	\$10,344	\$2,398	\$61,036	\$93,778
124 Bus. Ofc., EU MTS & WATS	1,733,945	G37	1,263,870	40,429	357,791	0	64,055	470,275
125 Bus. Ofc., EU Access, P/L & all Other	1,294,254	G38	339,585	151	890,543	15	7,011	897,719
126 Bus. Ofc., IXC Special Access	112,974	G39	102,518	8,362	0	1,064	0	10,456
127 Bus. Ofc., IXC Switched Access	48,034	G40	40,558	7,439	0	35	0	7,475
128 Bus. Ofc., IXC B & C Services	139,159	G41	96,149	42,182	0	818	0	43,010
129 Coin Collect & Admin.	301,997	G42	267,879	30,900	3,217	0	0	34,118
130								O.K.
131 Total Business Office	\$8,244,555		\$6,687,724	\$138,504	\$1,261,896	\$4,330	\$152,102	\$1,556,831
132								O.K.
133 Cust. Svc., Direct	\$62,510	V205	\$19,455	\$0	\$43,055	\$0	\$0	\$43,055
134 Cust. Svc., Msg. Process	51,240	G43	32,505	7,537	11,183	0	0	15,735
135 Cust. Svc., Other B&C	1,834,400	G44	1,406,253	158,426	271,719	0	0	426,147
136 Cust. Svc., CABS	188,018	G45	94,009	94,009	0	0	0	84,009
137 Cust. Svc., EU Common Line	96,548	V209	96,548	0	0	0	0	0
138								O.K.
139 Total Customer Service	\$2,232,716		\$1,648,770	\$257,975	\$325,972	\$0	\$0	\$583,948
140								O.K.
141 Total Bus. Ofc., Cust. Serv.	\$10,477,271		\$8,336,494	\$396,478	\$1,587,867	\$4,330	\$152,102	\$2,140,777
142								O.K.

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Intrastate								
***** FCC PART 38 ***** Operating Expenses and Taxes	TOTAL COMPANY	Source/ Allocator	Interstate and Other	Message Telephone Service		Private Line		TOTAL INTRASTATE
(A)	(B)	(C)	(D)	InterLATA	IntraLATA	InterLATA	IntraLATA	(I)
150 Other Cust. Serv., Alloc.	\$143,914	H49	\$114,509	\$5,440	\$21,811	\$59	\$2,089	\$29,405
157 Other Cust. Serv., Direct	0	V211	0	0	0	0	0	0
150 Total Other Cust. Serv.	\$143,914		\$114,509	\$5,440	\$21,811	\$59	\$2,089	\$29,405
161 TOTAL CUSTOMER OPER. EXP.	\$20,481,278		\$15,358,312	\$608,057	\$4,182,440	\$5,363	\$349,104	\$5,124,684
163								
164 "BIG-THREE" EXPENSES:								
165								
166 Total Plt. Spcc., ex Support	\$15,398,488	44	\$11,804,083	\$1,281,478	\$1,977,042	\$2,704	\$351,179	\$3,592,403
167 Total Network Oper. Exp.	12,828,078	69	9,898,815	895,078	1,579,912	2,871	353,604	2,931,463
168 Total Customer Operations	20,481,278	161	15,358,312	608,057	4,182,440	5,363	349,104	5,124,684
169								
170 TOTAL "BIG THREE" EXPENSES	\$48,705,840		\$37,057,011	\$2,884,611	\$7,719,394	\$10,738	\$1,054,087	\$11,648,829
171								
172								
173 CORPORATE OPERATIONS EXPENSE:								
174								
175 Exec. and Planning, Alloc.	\$2,508,232	H50	\$1,908,348	\$147,520	\$397,530	\$553	\$54,293	\$599,888
178 Exec. and Planning, Direct	0	V213	0	0	0	0	0	0
177								
178 Total Exec. and Planning	\$2,508,232		\$1,908,348	\$147,520	\$397,530	\$553	\$54,293	\$599,888
179								
180 Admin. & General, Allocable	\$24,808,418	H50	\$18,975,062	\$1,459,095	\$3,931,889	\$5,409	\$538,901	\$3,933,354
181 Admin. & General, Direct	0	V231	0	0	0	0	0	0
182								
183 Total Admin. and Gen.	\$24,808,418		\$18,975,062	\$1,459,095	\$3,931,889	\$5,409	\$538,901	\$3,933,354
184								
185 TOTAL CORPORATE OPERATIONS	\$27,318,648		\$20,783,407	\$1,603,010	\$4,329,419	\$8,022	\$591,184	\$4,533,241
186								
187								
188 NON-INCOME TAXES:								
189								
190 Non-income Taxes, Allocable	\$7,852,091	H38	\$8,057,737	\$609,088	\$987,067	\$1,835	\$218,584	\$1,794,354
191 Non-income Taxes, Direct	0	V233	0	0	0	0	0	0
192								
193 Total Non-income Taxes	\$7,852,091		\$8,057,737	\$609,088	\$987,067	\$1,835	\$218,584	\$1,794,354
194								
195								
196 TOTAL OPER. EXP. AND TAXES	\$140,285,882		\$104,722,530	\$8,995,006	\$23,553,142	\$28,972	\$2,968,023	\$35,563,143

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U S WEST COMMUNICATIONS

***** FCC PART 29 ***** IntraLATA Revenue Requirement Summary		Part 36 IntraLATA Total	Source	Common Line	Local Switching	Information	Common Transport	Billing and Collection	Other	
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)		
13 Net Investment	\$30,545,455	K52	\$14,669,901	\$3,029,802	\$0	\$9,398,718	\$0	\$8,446,035	O.K.	
14 Rate of Return	9.62%	B19	9.62%	9.62%	9.62%	9.62%	9.62%	9.62%	O.K.	
15										
16 Return on Rate Base	\$2,637,535		\$1,410,764	\$291,270	\$0	\$615,360	\$0	\$620,103	O.K.	
17										
18 AFUDC	0	N37	0	0	0	0	0	0	O.K.	
19 ITC Amortization	0	N37	0	0	0	0	0	0	O.K.	
20 Other Return Adjustments	0	Direct	0	0	0	0	0	0	O.K.	
21										
22 Net Return	\$2,637,535		\$1,410,764	\$291,270	\$0	\$615,360	\$0	\$620,103	O.K.	
23										
24 Interest Expense	1,463,200	N37	702,723	145,087	0	308,514	0	308,876	O.K.	
25 Capitalized Payroll Taxes	0	N37	0	0	0	0	0	0	O.K.	
26 Depreciation Adjustment	0	N37	0	0	0	0	0	0	O.K.	
27 Other Income Adjustments	0	Direct	0	0	0	0	0	0	O.K.	
28										
29 After Tax Income	\$1,474,335		\$708,071	\$146,181	\$0	\$338,846	\$0	\$311,227	O.K.	
30										
31 State Income Taxes	\$0	29	0	0	0	0	0	0	O.K.	
32 Federal Income Taxes	755,046	29	363,003	74,948	0	158,358	0	159,558	O.K.	
33 Operating Expenses and Taxes	25,504,840	O195	8,588,165	1,758,640	1,035,126	3,320,974	938,444	8,665,260		1
34 Uncollectibles	159,929	Direct	155,688	0	37	0	157	4,047	O.K.	
35 Other Revenue Adjustments	0	Direct	0	0	0	0	0	0	O.K.	
36										
37 Basis for Gross Receipts Tax	29,198,021	18+31+32+33	10,361,965	2,124,866	1,035,126	4,094,670	938,444	10,644,950		1
38										
39										
40 Gross Receipts Tax	45,705	37	16,220	3,328	1,620	6,410	1,466	16,663	O.K.	
41										
42										
43 TOTAL REVENUE REQUIREMENT	\$29,403,655		\$10,533,873	\$2,128,192	\$1,036,783	\$4,101,080	\$938,067	\$10,665,660		1
44										

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U S WEST COMMUNICATIONS

***** FCC PART 69 ***** IntraLATA Investment Summary		Part 36 IntraLATA Total	Source	Common Line	Local Switching	Information	Common Transport	Billing and Collection	Other	
(A)		(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	
13	Land and Support Assets	\$12,870,422	L25	\$2,524,910	\$1,855,597	\$0	\$4,418,328	\$0	\$4,073,590	OK
14										
15	Central Office Equipment	\$28,836,107	L70	\$5,842,774	\$4,781,023	\$0	\$10,057,418	\$0	\$8,354,892	OK
16	Info. Term./Orig. Equipment	882,789	L78	882,780	0	0	0	0	0	OK
17	Cable and Wire Facilities	34,049,905	L117	30,587,598	0	0	1,321,428	0	2,140,881	OK
18										
19	Total COE, IOT, C&WF	\$63,749,773		\$37,093,131	\$4,781,023	\$0	\$11,378,847	\$0	\$10,495,773	OK
20										
21	Total Tangible Assets	\$949,732	L141	\$188,532	\$138,710	\$0	\$525,370	\$0	\$300,119	OK
22										
23	Total Tele. Plt. ex Intang.	\$77,587,927		\$38,804,572	\$8,773,330	\$0	\$18,120,543	\$0	\$14,869,482	OK
24	Total Intangible Assets	21,052	L144	10,886	1,824	0	4,340	0	4,003	OK
25										
26	Total Plant In Service	\$77,588,980		\$38,815,458	\$8,775,153	\$0	\$18,124,883	\$0	\$14,873,485	OK
27	Total Plt. Held Future Use	0	L147	0	0	0	0	0	0	OK
28	Total ST PUC	0	L183	0	0	0	0	0	0	OK
29	Total LT PUC	0	L184	0	0	0	0	0	0	OK
30	Total Tel. Plt. Adjust.	0	L189	0	0	0	0	0	0	OK
31										
32	TOTAL TELEPHONE PLANT	\$77,588,980		\$38,815,458	\$8,775,153	\$0	\$18,124,883	\$0	\$14,873,485	OK
33										
34	less:									
35	Accum. Depr., Plt. in Serv	41,069,514	M23	23,184,295	2,806,503	0	7,960,881	0	7,117,884	OK
36	Accum. Depr. PHFU	0	M27	0	0	0	0	0	0	OK
37	Accum. Amort. Tangible Plt.	319,828	M28	155,376	27,703	0	65,933	0	60,816	OK
38	Accum. Amort. Intangibles	4,240	M29	2,182	367	0	874	0	806	OK
39	Accum. Amort. Other	0	M30	0	0	0	0	0	0	OK
40	Accum. Def. Inc. Taxes, Net	6,599,218	M47	2,254,573	994,002	0	1,894,172	0	1,428,471	OK
41										
42	plus:									
43	Other Assets	0	Direct	0	0	0	0	0	0	OK
44										
45	NET TELEPHONE PLANT	\$29,698,180		\$14,178,052	\$2,845,577	\$0	\$8,203,023	\$0	\$6,267,527	OK
46	plus:									
47	Class B RTE Stock	0	L171	0	0	0	0	0	0	OK
48	Materials and Supplies	73,825	L173	38,173	8,395	0	15,219	0	14,038	OK
49	Cash Working Capital	875,451	L175	452,878	75,830	0	183,478	0	168,489	OK
50	Equal Access Investment	0	L177	0	0	0	0	0	0	OK
51										
52	NET INVESTMENT	\$30,545,435		\$14,669,501	\$3,028,802	\$0	\$8,388,718	\$0	\$6,448,035	OK
53										

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***** FCC PART 69 ***** IntraLATA Investment Detail		Part 38 IntraLATA Total	Source or Apportion	Common Line	Local Switching	Information	Common Transport	Billing and Collection	Other	
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)		
13 LAND AND SUPPORT ASSETS:										
14										
15 Land Assets, Message	\$177,651	N28	34,851	25,813	0	80,959	0	56,228	O.K.	
16 Land Assets, Private Line	39,703	N28	7,805	5,738	0	13,651	0	12,562	O.K.	
17										
18 Total Land Assets	\$217,433		\$42,656	\$31,349	\$0	\$74,610	\$0	\$68,619	O.K.	
19										
20 Support Assets, Message	\$10,337,925	N28	\$2,028,088	\$1,480,474	\$0	\$3,547,331	\$0	\$3,272,035	O.K.	
21 Support Assets, Private Line	2,315,093	N28	454,187	333,775	0	784,385	0	732,738	O.K.	
22										
23 Total Support Assets	\$12,652,989		\$2,482,254	\$1,824,248	\$0	\$4,341,716	\$0	\$4,004,770	O.K.	
24										
25 Total Land and Supp. Assets	\$12,870,422		\$2,524,910	\$1,855,597	\$0	\$4,418,326	\$0	\$4,073,590	O.K.	
26										
27 CENTRAL OFFICE EQUIPMENT:										
28										
29 Operator Sys., DA	\$0	(F)	0	0	0	0	0	0	O.K.	
30 Operator Sys., Other	1,307,298	(I)	0	0	0	0	0	1,307,298	O.K.	
31										
32 Total Operator Systems	\$1,307,298		\$0	\$0	\$0	\$0	\$0	\$1,307,298	O.K.	
33										
34 Tandem Switching	\$2,382,838	(G)	\$0	\$0	\$0	\$2,382,838	\$0	\$0	O.K.	
35 Tandem Assigned	0	Direct	0	0	0	0	0	0	O.K.	
36										
37 Total Tandem Switching	\$2,382,838		\$0	\$0	\$0	\$2,382,838	\$0	\$0	O.K.	
38										
39 Local Switching	\$4,781,023	(E)	\$0	\$4,781,023	\$0	\$0	\$0	\$0	O.K.	
40 Local Assigned	0	Direct	0	0	0	0	0	0	O.K.	
41										
42 Total Local Switching	\$4,781,023		\$0	\$4,781,023	\$0	\$0	\$0	\$0	O.K.	
43										
44 Total Switching	\$7,183,860		\$0	\$4,781,023	\$0	\$2,382,838	\$0	\$0	O.K.	

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***** FCC PART 39 *****									
IntraLATA Investment Detail									
	Part 38 IntraLATA Total	Source or Apportion	Common Line	Local Switching	Information	Common Transport	Billing and Collection	Other	
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	
58 COE Exch. Trunk	\$3,658,742	Direct	\$0	\$0	\$0	\$0	\$0	\$3,658,742	OK
59 COE Exch. Line - Message	5,642,774	(D)	5,642,774	0	0	0	0	0	OK
60 COE Exch. Line - PL etc.	318,485	(I)	0	0	0	0	0	318,485	OK
61 COE Exch. Line - Assigned	0	Direct	0	0	0	0	0	0	OK
62 COE Interexchange, Message	4,174,715	(G)	0	0	0	4,174,715	0	0	OK
63 COE Interexchange, PL	3,070,387	(I)	0	0	0	0	0	3,070,387	OK
64 COE Interexchange, Assigned	0	(G)	0	0	0	0	0	0	OK
65 COE H/R Message	3,490,898	(G)	0	0	0	3,490,898	0	0	OK
66 COE H/R Assigned	0	Direct	0	0	0	0	0	0	OK
67									
68 Total COE Transmission	\$20,364,949		\$5,642,774	\$0	\$0	\$7,074,581	\$0	\$7,047,594	OK
69									
70 Total Central Office Equip.	\$28,838,107		\$5,642,774	\$4,781,023	\$0	\$10,057,416	\$0	\$9,354,892	OK
71									
72 IOT EQUIPMENT:									
73									
74 Public Telephone	\$882,760	N43	\$882,760	\$0	\$0	\$0	\$0	\$0	OK
75 Coinless Pay Phone	8,541	(D)	8,541	0	0	0	0	0	OK
76 Customer Premises Equipment	0	N80	0	0	0	0	0	0	OK
77									
78 Total IOT Equipment	\$882,760		\$882,760	\$0	\$0	\$0	\$0	\$0	OK
79									
80 CABLE AND WIRE FACILITIES:									
81									
82 Exchange PL and WATS	\$1,728,285	(I)	\$0	\$0	\$0	\$0	\$0	\$1,728,285	OK
83 Exchange Message	30,587,593	(D)	30,587,593	0	0	0	0	0	OK
84 Exchange Assigned	0	Direct	0	0	0	0	0	0	OK
85									
86 Total Exchange Line C&WF	\$32,313,891		\$30,587,593	\$0	\$0	\$0	\$0	\$1,728,295	OK
87									
88 Exchange Trunk, Message	\$0	Direct	\$0	\$0	\$0	\$0	\$0	\$0	OK
89 Exchange Trunk, PL	\$2,238	Direct	0	0	0	0	0	\$2,238	OK
90									
91 Total Exchange Trunk C&WF	\$52,238		\$0	\$0	\$0	\$0	\$0	\$52,238	OK
92									
93 Interexchange Message	\$654,711	(G)	\$0	\$0	\$0	\$654,711	\$0	\$0	OK
94 Interexchange PL, WATS	362,350	(I)	0	0	0	0	0	362,350	OK
95 Interexchange Assigned	501	(G)	0	0	0	501	0	0	OK
96									
97 Total Interexchange C&WF	\$1,017,562		\$0	\$0	\$0	\$655,212	\$0	\$362,350	OK

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***** FCC PART 69 *****									
IntraLATA Investment Detail									
(A)	Part 36 IntraLATA Total	Source or Apportion	Common Line	Local Switching	Information	Common Transport	Billing and Collection	Other	
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	
111 H/R C&WF, Message	\$668,218	(G)	\$0	\$0	\$0	\$668,218	\$0	\$0	O K
112 H/R C&WF, WATS	0	(I)	0	0	0	0	0	0	O K
113 H/R C&WF, Assigned	0	Direct	0	0	0	0	0	0	O K
114									
115 Total Host/Remote C&WF	\$668,218		\$0	\$0	\$0	\$668,218	\$0	\$0	O K
116									
117 Total Cable and Wire Facil.	\$34,049,905		\$30,587,598	\$0	\$0	\$1,321,428	\$0	\$2,140,881	O K
118									
119 TANGIBLE ASSETS:									
120									
121 Land and Support Leases	\$947,453	N28	155,871	139,590	0	325,107	0	299,878	O K
122									
123 COE Operator Leases	\$0	32	\$0	\$0	\$0	\$0	\$0	\$0	O K
124 COE Tandem Switching Leases	0	34	0	0	0	0	0	0	O K
125 COE Local Switching Leases	0	39	0	0	0	0	0	0	O K
126 COE Transmission Leases	0	83	0	0	0	0	0	0	O K
127									
128 Total COE Leases	\$0		\$0	\$0	\$0	\$0	\$0	\$0	O K
129									
130 IOT Equipment Leases	\$0	78	0	0	0	0	0	0	O K
131									
132 C&WF Leases	\$0	117	0	0	0	0	0	0	O K
133									
134 Total Capital Leases	\$947,453		\$165,871	\$139,599	\$0	\$325,107	\$0	\$299,878	O K
135									
136 Leasehold Impr., Alloc.	\$1,279	N37	882	111	0	284	0	243	O K
137 Leasehold Impr., Direct	0	Direct	0	0	0	0	0	0	O K
138									
139 Total Leasehold Improvements	\$1,279		\$882	\$111	\$0	\$284	\$0	\$243	O K
140									
141 Total Tangible Assets	\$948,732		\$166,532	\$139,710	\$0	\$325,370	\$0	\$300,119	O K
142									
143									
144 TOTAL INTANGIBLE ASSETS	\$21,052	N37	\$10,886	\$1,024	\$0	\$4,340	\$0	\$4,003	O K
145									
146									
147 PROPERTY HELD FOR FUTURE US	\$0	N48	0	0	0	0	0	0	O K

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U S WEST COMMUNICATIONS

***** FCC PART 89 ***** IntraLATA Investment Detail		Part 38 IntraLATA Total	Source of Appropriation	Common Line	Local Switching	Information	Common Transport	Billing and Collection	Other	
(A)		(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	
161	PLANT UNDER CONSTRUCTION:									
162										
163	Short-term	\$0	N48	\$0	\$0	\$0	\$0	\$0	\$0	O.K.
164	Long-term	0	N48	0	0	0	0	0	0	O.K.
165										
166	Total Plt. Under Const.	\$0		\$0	\$0	\$0	\$0	\$0	\$0	O.K.
167										
168										
169	TELEPHONE PLANT ADJUSTMENT	\$0	N48	\$0	\$0	\$0	\$0	\$0	\$0	O.K.
170										
171	CLASS B RTB STOCK	\$0	N37	\$0	\$0	\$0	\$0	\$0	\$0	O.K.
172										
173	MATERIALS AND SUPPLIES	\$73,825	N37	\$36,173	\$6,395	\$0	\$15,219	\$0	\$14,036	O.K.
174										
175	CASH WORKING CAPITAL	\$875,451	N37	\$452,676	\$75,030	\$0	\$180,476	\$0	\$128,469	O.K.
176										
177	EQUAL ACCESS INVESTMENT	\$0	Direct	\$0	\$0	\$0	\$0	\$0	\$0	O.K.

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U S WEST COMMUNICATIONS

***** FCC PART 89 *****									
IntraLATA									
Reserve and Deferrals									
(A)	Part 30 IntraLATA Total (B)	Source or Apportion (C)	Common Line (D)	Local Switching (E)	Information (F)	Common Transport (G)	Billing and Collection (H)	Other (I)	
13	ACCUM. DEPRECIATION, TPIS:								
14									
15	Support Assets	\$3,551,495	N28	\$755,593	\$555,290	\$0	\$1,321,593	\$0	\$1,219,028 OK
16	COE Switching	3,373,200	L44	0	2,251,213	0	1,121,893	0	0 OK
17	COE Operator	274,936	L32	0	0	0	0	0	274,936 OK
18	COE Transmission	12,533,159	L68	3,472,721	0	0	4,723,151	0	4,337,287 OK
19	IOT Equipment	573,819	L78	573,819	0	0	0	0	0 OK
20	Cable and Wire Facilities	20,403,096	L117	18,382,341	0	0	794,144	0	1,288,613 OK
21	Other Plant	0	N37	0	0	0	0	0	0 OK
22									
23	Total Accum. Depr., TPIS	\$41,060,514		\$23,184,265	\$2,056,503	\$0	\$7,900,981	\$0	\$7,117,804 OK
24									
25	ACCUM. AMORTIZATION:								
26									
27	Accum. Depreciation, PHFU	\$0	N37	\$0	\$0	\$0	\$0	\$0	\$0 OK
28	Accum. Amort., Tangible Inv.	319,828	N37	\$185,378	\$27,703	\$0	\$65,933	\$0	\$60,818 OK
29	Accum. Amort., Intang. Inv.	3,240	N37	\$2,192	\$367	\$0	\$674	\$0	\$508 OK
30	Accum. Amort., Other	0	N37	\$0	\$0	\$0	\$0	\$0	\$0 OK
31									
32	Tot. Accum. Amortization	\$324,068		\$187,568	\$28,070	\$0	\$68,807	\$0	\$61,022 OK
33									
34	Total Accum. Depr./Amort.	\$41,383,582		\$23,351,833	\$2,034,574	\$0	\$8,027,568	\$0	\$7,179,487 OK
35									
36									
37	ACCUM. DEF. INC. TAXES, NET:								
38									
39	Support Assets	\$1,652,474	N28	\$324,191	\$238,246	\$0	\$587,026	\$0	\$523,021 OK
40	COE Switching	1,132,422	L44	0	758,757	0	376,665	0	0 OK
41	COE Operator	(5,356)	L32	0	0	0	0	0	(5,356) OK
42	COE Transmission	2,360,130	L68	661,155	0	0	899,219	0	825,758 OK
43	IOT Equipment	112,661	L78	112,661	0	0	0	0	0 OK
44	Cable and Wire Fac.	1,320,688	L117	1,188,676	0	0	51,262	0	63,051 OK
45	Unclassified	0	N37	0	0	0	0	0	0 OK
46									
47	Total Accum. Def. Inc. Taxes	\$8,599,218		\$2,264,573	\$994,002	\$0	\$1,884,172	\$0	\$1,428,471 OK

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***** FCC PART 89 ***** Apportionment Factors		Part 89 IntraLATA Total	Source	Common Line	Local Switching	Information	Common Transport	Billing and Collection	Other	
(A)		(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	
13	Central Office Equipment	\$28,838,107	L70	\$5,842,774	\$4,781,023	\$0	\$10,057,418	\$0	\$8,354,892	O K
14	Info. Orig./Term. Eqp	882,780	L78	882,780	0	0	0	0	0	O K
15	C&W Facilities	34,048,903	L117	30,587,598	0	0	1,321,428	0	2,140,881	O K
16										
17	Total	\$83,748,773		\$37,093,131	\$4,781,023	\$0	\$11,378,347	\$0	\$10,495,773	O K
18	Factor	1.000000		0.581884	0.074998	0.000000	0.178495	0.000000	0.184843	O K
19										
20	Sum. Sw., Trans., Other	\$28,838,942	17	\$0	\$4,781,023	\$0	\$11,378,347	\$0	\$10,495,773	O K
21	Factor	1.000000		0.000000	0.179383	0.000000	0.428883	0.000000	0.393754	O K
22										
23	Central Office Equipment	\$28,838,107	L70	\$5,842,774	\$4,781,023	\$0	\$10,057,418	\$0	\$8,354,892	O K
24	Info. Orig./Term. Eqp	882,780	L78	882,780	0	0	0	0	0	O K
25	C&W, Excl. Exch. Messages	3,482,309	L117-83	0	0	0	1,321,428	0	2,140,881	O K
26										
27	Total	\$33,161,177		\$8,505,534	\$4,781,023	\$0	\$11,378,347	\$0	\$10,495,773	O K
28	Factor	1.000000		0.190179	0.144175	0.000000	0.343138	0.000000	0.318508	O K
29										
30	General Support Facilities	\$12,870,422	L25	\$2,524,910	\$1,855,597	\$0	\$4,418,326	\$0	\$4,073,590	O K
31	Central Office Equipment	28,838,107	13	5,842,774	4,781,023	0	10,057,418	0	8,354,892	O K
32	Info. Orig./Term. Eqp	882,780	14	882,780	0	0	0	0	0	O K
33	C&W Facilities	34,048,903	13	30,587,598	0	0	1,321,428	0	2,140,881	O K
34	Equal Access Investment	0	L177	0	0	0	0	0	0	O K
35										
36	Total	\$78,619,198		\$39,818,040	\$8,638,820	\$0	\$15,795,173	\$0	\$14,589,362	O K
37	Factor	1.000000		0.517077	0.086818	0.000000	0.208152	0.000000	0.190153	O K
38										
39	Sum. Com. Ln., Sw., Trans.	\$82,049,833	38	\$59,818,040	\$8,638,820	\$0	\$15,795,173	\$0	\$0	O K
40	Factor	1.000000		0.838487	0.108958	0.000000	0.254358	0.000000	0.000000	O K
41										
42	COE Cat. 2 Factor	1.000000	Direct	0.000000	0.000000	0.000000	1.000000	0.000000	0.000000	O K
43	IOT Cat. 1 Factor	1.000000	Direct	1.000000	0.000000	0.000000	0.000000	0.000000	0.000000	O K
44										
45	Total TPIs	\$77,530,980	K28	\$39,818,459	\$8,775,153	\$0	\$16,124,883	\$0	\$14,873,485	O K
46	Factor	1.000000		0.513159	0.097321	0.000000	0.207824	0.000000	0.191696	O K

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***** FCC PART 69 ***** Apportionment Factors		Part 38 IntraLATA Total	Source	Common Line	Local Switching	Information	Common Transport	Billing and Collection	Other	
(A)		(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	
60	Interstate Equiv. Factor	0.000000	Direct	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	O.K.
61	Wtd. Std. Work Seconds	1.000000	Direct	0.000000	0.000748	0.523688	0.000000	0.000000	0.475284	O.K.
62										
63	"BIG THREE" Expense	\$13,082,304	O171	\$3,540,036	\$550,987	\$784,240	\$1,323,221	\$691,383	\$7,012,437	O.K.
64	Factor	1.000000		0.255003	0.030000	0.033051	0.095317	0.048803	0.505135	O.K.
65										
66	Net Investment	\$30,545,453	J13	\$14,669,901	\$3,028,802	\$0	\$8,389,718	\$0	\$6,448,035	O.K.
67	Factor	1.000000		0.480283	0.098157	0.000000	0.209482	0.000000	0.211086	O.K.

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***** FCC PART 69 ***** Operating Expenses and Taxes	Part 36 IntraLATA Total	Apportion	Common Line	Local Switching	Information	Common Transport	Billing and Collection	Other	
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	
13 PLANT SPEC. OPER. EXPENSE.									
14									
15 Network Support, Alloc.	\$15,553	N37	\$8,042	\$1,347	\$0	\$3,208	\$0	\$2,957	O.K.
16 Network Support, Direct	0	Direct	0	0	0	0	0	0	O.K.
17									
18 Total Network Support Exp.	\$15,553		\$8,042	\$1,347	\$0	\$3,208	\$0	\$2,957	O.K.
19									
20 General Support, Alloc.	\$1,082,152	N30	\$208,372	\$153,136	\$0	\$384,484	\$0	\$338,100	O.K.
21 General Support, Direct	0	Direct	0	0	0	0	0	0	O.K.
22									
23 Total General Support Exp.	\$1,082,152		\$208,372	\$153,136	\$0	\$384,484	\$0	\$338,100	O.K.
24									
25 Central Office Eq., Alloc.	\$828,822	N31	\$182,187	\$137,419	\$0	\$288,075	\$0	\$240,141	O.K.
26 Central Office Eq., Direct	0	Direct	0	0	0	0	0	0	O.K.
27									
28 Total COE Exp.	\$828,822		\$182,187	\$137,419	\$0	\$288,075	\$0	\$240,141	O.K.
29									
30 Cust. Premises Equip.	\$0	L76	\$0	\$0	\$0	\$0	\$0	\$0	O.K.
31 Other IOT	147,254	N43	147,254	0	0	0	0	0	O.K.
32 IOT Direct	0	Direct	0	0	0	0	0	0	O.K.
33									
34 Total IOT Exp.	\$147,254		\$147,254	\$0	\$0	\$0	\$0	\$0	O.K.
35									
36 Cable & Wire, Alloc.	\$1,351,254	N33	\$1,213,854	\$0	\$0	\$52,440	\$0	\$84,960	O.K.
37 Cable & Wire, Direct	0	Direct	0	0	0	0	0	0	O.K.
38									
39 Total C&WF Exp.	\$1,351,254		\$1,213,854	\$0	\$0	\$52,440	\$0	\$84,960	O.K.
40									
41 TOTAL PLT. SPEC. OPER. EXP.	\$3,405,039		\$1,730,710	\$281,602	\$0	\$709,186	\$0	\$664,237	O.K.
42									
43 TOTAL PLT. SPEC. , ex SUPPORT	\$2,327,330		\$1,523,288	\$137,419	\$0	\$341,516	\$0	\$325,100	O.K.

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U S WEST COMMUNICATIONS

***** FCC PART 68 ***** Operating Expenses and Taxes		Part 38 IntraLATA Total	Apportion	Common Line	Local Switching	Information	Common Transport	Billing and Collection	Other	
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)		
57 NON-SPECIFIC OPER. EXP.:										
58										
59 Oth. Plt. and Equip., Alloc.	(\$18,582)	N18	(\$10,812)	(\$1,384)	\$0	(\$3,317)	\$0	(\$3,059)	OK	
60 Oth. Plt. and Equip., Direct	0	Direct	0	0	0	0	0	0	OK	
61										
62 Total Oth. Plt. & Equip.	(\$18,582)		(\$10,812)	(\$1,384)	\$0	(\$3,317)	\$0	(\$3,059)	OK	
63										
64 Network Operations, Alloc.	\$1,933,718	N18	\$1,125,180	\$145,025	\$0	\$345,159	\$0	\$318,372	OK	
65 Network Operations, Direct	0	Direct	0	0	0	0	0	0	OK	
66										
67 Total Network Oper. Exp.	\$1,933,718		\$1,125,180	\$145,025	\$0	\$345,159	\$0	\$318,372	OK	
68										
69 Total Access Expenses	\$5,088,225	Direct	\$0	\$0	\$0	\$0	\$0	\$5,088,225	OK	
70										
71 Depr., Support Assets	\$285,314	L23	\$57,934	\$42,577	\$0	\$101,333	\$0	\$80,469	OK	
72 Depr., COE Switching	1,255,585	L44	0	\$37,854	0	417,632	0	0	OK	
73 Depr., COE Operator	(733,233)	L32	0	0	0	0	0	(733,233)	OK	
74 Depr., COE Transmission	1,550,176	L68	429,527	0	0	584,188	0	538,462	OK	
75 Depr., IOT Equipment	34,820	L78	84,826	0	0	0	0	0	OK	
76 Depr., C&W Facilities	2,881,777	L117	2,588,748	0	0	111,838	0	181,191	OK	
77 Depr., PHFU	0	L147	0	0	0	0	0	0	OK	
78										
79 Total Depreciation Expense	\$5,314,446		\$3,141,036	\$860,530	\$0	\$1,214,980	\$0	\$77,889	OK	
80										
81 Amort., Tangible Assets	\$202,888	L141	\$38,888	\$29,233	\$0	\$69,574	\$0	\$84,173	OK	
82 Amort., Intangible Assets	789	L144	408	88	0	182	0	150	OK	
83 Other Amortization	0	Direct	0	0	0	0	0	0	OK	
84 Direct Assigned Amort.	0	Direct	0	0	0	0	0	0	OK	
85										
86 Total Amortization Exp.	\$203,657		\$40,284	\$29,301	\$0	\$69,737	\$0	\$84,325	OK	
87										
88 Total Depr. and Amort.	\$5,518,102		\$3,181,330	\$889,832	\$0	\$1,284,727	\$0	\$142,214	OK	
89										
90 TOTAL NON-SPEC. OPER. EXP.	\$12,518,481		\$4,285,878	\$1,053,483	\$0	\$1,828,589	\$0	\$5,543,751	OK	

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U S WEST COMMUNICATIONS

***** FCC PART 69 *****								
Operating Expenses and Taxes								
(A)	Part 36 IntraLATA Total (B)	Apportion (C)	Common Line (D)	Local Switching (E)	Information (F)	Common Transport (G)	Billing and Collection (H)	Other (I)
104 CUSTOMER OPERATIONS EXPENSE:								
105								
106 Marketing, Allocable	\$1,307,439	N37	\$976,047	\$113,240	\$0	\$269,531	\$0	\$248,613
107 Marketing, Direct	0	Direct	0	0	0	0	0	0
108								
109 Total Marketing Expense	\$1,307,439		\$976,047	\$113,240	\$0	\$269,531	\$0	\$248,613
110								
111 Operator Service, Alloc.	\$1,437,760	N81	\$0	\$1,075	\$753,340	\$0	\$0	\$683,344
112 Operator Service, Direct	0	Direct	0	0	0	0	0	0
113								
114 Total Operator Service	\$1,437,760		\$0	\$1,075	\$753,340	\$0	\$0	\$683,344
115								
116 Classified Directory	\$0	Direct	\$0	\$0	\$0	\$0	\$0	\$0
117 Alphabetical Directory	2,476	(F)	0	0	2,476	0	0	0
118 Foreign Directory	0	Direct	0	0	0	0	0	0
119								
120 Total Directory	\$2,476		\$0	\$0	\$2,476	\$0	\$0	\$0
121								
122 Bus. Ofc., EU Presubscription	10,344	N40	\$6,604	\$1,106	\$0	\$2,633	\$0	\$0
123 Bus. Ofc., Reserved	0	(I)	0	0	0	0	0	0
124 Bus. Ofc., EU PL	7,011	(H)	0	0	0	0	0	7,011
125 Bus. Ofc., EU Message	357,791	(H)	0	0	0	0	357,791	0
126 Bus. Ofc., EU Reserved	0	(I)	0	0	0	0	0	0
127 Bus. Ofc., IX Special Access	0	(I)	0	0	0	0	0	0
128 Bus. Ofc., IX Switched Access	0	N40	0	0	0	0	0	0
129 Bus. Ofc., IX Billing and Collection	0	(H)	0	0	0	0	0	0
130 Bus. Ofc., Coin Collection & Administ	3,217	(D)	3,217	0	0	0	0	0
131 Bus. Ofc., Reserved	0	(I)	0	0	0	0	0	0
132								
133 Total Business Office	\$378,363		\$9,821	\$1,106	\$0	\$2,633	\$357,791	\$7,011
134								
135 Cust. Serv., Msg. Process	\$54,253	(H)	0	0	0	0	54,253	0
136 Cust. Serv., Other B&C	271,719	(H)	0	0	0	0	271,719	0
137 Cust. Serv., CABS	0	N21	0	0	0	0	0	0
138 Cust. Serv., EU Common Line	0	(H)	0	0	0	0	0	0
139								
140 Total Customer Service	\$325,972		\$0	\$0	\$0	\$0	\$325,972	\$0
141								
142 Total BO, CS, OS, Dir.	\$2,144,571		\$9,821	\$2,181	\$753,817	\$2,633	\$683,762	\$680,355

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U S WEST COMMUNICATIONS

***** FCC PART 09 ***** Operating Expenses and Taxes		Part 36 IntraLATA Total	Apportion	Common Line	Local Switching	Information	Common Transport	Billing and Collection	Other	
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)		
158 Other Cust. Serv., Alloc.	\$23,900	142	\$109	\$24	\$8,423	\$29	\$7,820	\$7,694	OK	
159 Other Cust. Serv., Direct	0	Direct	0	0	0	0	0	0	OK	
160										
161 Total Other Cust. Serv.	\$23,900		\$109	\$24	\$8,423	\$29	\$7,820	\$7,694	OK	
162										
163 TOTAL CUSTOMER OPER. EXP.	\$3,475,910		\$685,978	\$115,454	\$764,240	\$272,193	\$691,383	\$948,662	OK	
164										
165 "BIG-THREE" EXPENSES:										
166										
167 Total Plt. Specific Exp.	\$3,405,038	41	\$1,739,710	\$291,002	\$0	\$709,188	\$0	\$604,237	OK	
168 Total Plt. Non-specific Exp.	7,091,359	62 + 67 + 69	1,114,348	143,631	0	341,842	0	5,401,538	OK	
169 Total Customer Operations	3,475,010	163	685,978	115,454	764,240	272,193	691,383	948,662	OK	
170										
171 TOTAL "BIG THREE" EXPENSES	\$13,882,304		\$3,540,036	\$550,987	\$764,240	\$1,323,221	\$691,383	\$7,012,437	OK	
172										
173 CORPORATE OPERATIONS EXPENSE:										
174										
175 Exec. and Planning, Alloc.	\$451,813	N64	\$115,214	\$17,032	\$24,873	\$43,066	\$22,502	\$228,223	OK	
176 Exec. and Planning, Direct	0	Direct	0	0	0	0	0	0	OK	
177										
178 Total Exec. and Planning	\$451,813		\$115,214	\$17,032	\$24,873	\$43,066	\$22,502	\$228,226	OK	
179										
180 Admin. & General, Allocable	\$4,468,790	N64	\$1,138,557	\$177,368	\$248,013	\$425,952	\$222,560	\$2,257,342	OK	
181 Admin. & General, Direct	0	Direct	0	0	0	0	0	0	OK	
182										
183 Total Admin. and Gen.	\$4,468,790		\$1,138,557	\$177,368	\$248,013	\$425,952	\$222,560	\$2,257,342	OK	
184										
185 TOTAL CORPORATE OPERATIONS	\$4,920,603		\$1,254,771	\$195,298	\$270,886	\$468,018	\$245,062	\$2,485,568	OK	
186										
187 NON-INCOME TAXES:										
188										
189 Non-income Taxes, Allocable	\$1,183,631	N37	\$612,029	\$102,524	\$0	\$244,008	\$0	\$225,071	OK	
190 Non-income Taxes, Direct	0	Direct	0	0	0	0	0	0	OK	
191										
192										
193 Total Non-income Taxes	\$1,183,631		\$612,029	\$102,524	\$0	\$244,008	\$0	\$225,071	OK	
194										
195 TOTAL OPER. EXP. AND TAXES	\$25,504,840		\$8,588,165	\$1,758,040	\$1,035,126	\$3,320,974	\$938,444	\$9,805,290		

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U S WEST COMMUNICATIONS

***** FCC PART 69 ***** InterLATA Revenue Requirement Summary		Part 33 InterLATA Total	Source	Common Line	Local Switching	Information	Common Transport	Billing and Collection	Other	
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)		
13 Net Investment	\$16,514,521	Q52	\$10,199,808	\$2,748,577	\$0	\$3,528,288	\$0	\$37,868	OK	
14 Rate of Return	9.62%	B19	9.62%	9.62%	9.62%	9.62%	9.62%	9.62%	OK	
15										
16 Return on Rate Base	\$1,588,180		\$980,908	\$264,328	\$0	\$339,311	\$0	\$3,642	OK	
17										
18 AFUDC	\$0	T37	0	0	0	0	0	0	OK	
19 ITC Amortization	0	T37	0	0	0	0	0	0	OK	
20 Other Return Adjustments	0	Direct	0	0	0	0	0	0	OK	
21										
22 Net Return	\$1,588,180		\$980,908	\$264,328	\$0	\$339,311	\$0	\$3,642	OK	
23										
24 Interest Expense	\$753,995	T67	465,888	125,490	0	161,088	0	1,729	OK	
25 Capitalized Payroll Taxes	0	T37	0	0	0	0	0	0	OK	
26 Depreciation Adjustment	0	T37	0	0	0	0	0	0	OK	
27 Other Income Adjustments	0	Direct	0	0	0	0	0	0	OK	
28										
29 After Tax Income	\$834,195		\$515,221	\$138,838	\$0	\$179,223	\$0	\$1,913	OK	
30										
31 State Income Taxes	\$0	29	\$0	\$0	\$0	\$0	\$0	\$0	OK	
32 Federal Income Taxes	380,513	29	235,015	63,330	0	81,295	0	873	OK	
33 Operating Expenses and Taxes	9,008,751	U195	5,554,188	1,535,181	3,057	1,514,818	380,318	21,211	OK	
34 Uncollectibles	276	Direct	270	0	0	0	0	8	OK	
35 Other Revenue Adjustments	0	Direct	0	0	0	0	0	0	OK	
36										
37 Basis for Gross Receipts Tax	10,977,453	16+31+32+33	6,770,089	1,362,840	3,057	1,935,424	380,318	25,728	OK	
38										
39										
40 Gross Receipts Tax	18,517	37	10,188	2,803	5	2,912	572	39	OK	
41										
42										
43 TOTAL REVENUE REQUIREMENT	\$10,994,248		\$6,780,545	\$1,865,043	\$3,062	\$1,938,336	\$380,690	\$25,773	OK	
44	*****		*****	*****	*****	*****	*****	*****		

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U S WEST COMMUNICATIONS

***** FCC PART 69 ***** InterLATA Investment Summary		Part 36 InterLATA Total	Source	Common Line	Local Switching	Information	Common Transport	Billing and Collection	Other	
(A)		(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	
13	Land and Support Assets	\$6,640,802	R25	\$2,115,420	\$1,847,603	\$0	\$2,550,378	\$0	\$27,368	OK
14										
15	Central Office Equipment	\$12,213,484	R70	\$3,745,639	\$3,975,769	\$0	\$4,455,913	\$0	\$38,163	OK
16	Info. Term./Orig. Equipment	572,695	R78	572,695	0	0	0	0	0	OK
17	Cable and Wire Facilities	21,073,944	R117	20,303,658	0	0	750,326	0	19,761	OK
18										
19	Total COE, IOT, C&WF	\$33,880,124		\$24,822,192	\$3,975,769	\$0	\$5,206,239	\$0	\$55,824	OK
20										
21	Total Tangible Assets	\$469,521	R141	\$156,162	\$143,469	\$0	\$187,872	\$0	\$2,018	OK
22										
23	Total Tele. Plt. ex Intang.	\$40,950,447		\$26,893,774	\$6,068,846	\$0	\$7,944,489	\$0	\$85,338	OK
24	Total Intangible Assets	10,662	R144	7,171	1,589	0	2,080	0	22	OK
25										
26	Total Plant In Service	\$41,001,309		\$26,900,945	\$6,068,435	\$0	\$7,946,570	\$0	\$85,360	OK
27	Total Plt. Held Future Use	0	R147	0	0	0	0	0	0	OK
28	Total ST PUC	0	R163	0	0	0	0	0	0	OK
29	Total LT PUC	0	R164	0	0	0	0	0	0	OK
30	Total Tel. Plt. Adjust.	0	R169	0	0	0	0	0	0	OK
31										
32	TOTAL TELEPHONE PLANT	\$41,001,309		\$26,900,945	\$6,068,435	\$0	\$7,946,570	\$0	\$85,360	OK
33										
34	less:									
35	Accum. Depr., Plt. in Serv.	21,359,047	S23	15,257,382	2,458,188	0	3,603,717	0	39,781	OK
36	Accum. Depr. PNFU	0	S27	0	0	0	0	0	0	OK
37	Accum. Amort. Tangible Plt.	185,023	S28	108,944	24,135	0	31,605	0	339	OK
38	Accum. Amort. Intangibles	2,169	S29	1,444	320	0	412	0	5	OK
39	Accum. Amort. Other	0	S30	0	0	0	0	0	0	OK
40	Accum. Def. Inc. Taxes, Net	3,244,104	S47	1,520,575	878,688	0	836,970	0	7,971	OK
41										
42	plus:									
43	Other Assets	0	Direct	0	0	0	0	0	0	OK
44										
45	NET TELEPHONE PLANT	\$16,230,848		\$10,012,600	\$2,707,104	\$0	\$3,473,959	\$0	\$37,285	OK
46										
47	plus:									
48	Class B RTS Stock	0	R171	0	0	0	0	0	0	OK
49	Materials and Supplies	45,691	R173	30,134	6,682	0	8,751	0	94	OK
50	Cash Working Capital	237,882	R175	157,043	34,791	0	45,558	0	489	OK
51	Equal Access Investment	0	R177	0	0	0	0	0	0	OK
52										
53	NET INVESTMENT	\$16,514,521		\$10,199,808	\$2,748,577	\$0	\$3,528,268	\$0	\$37,868	OK

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U S WEST COMMUNICATIONS

***** FCC PART 69 *****									
InterLATA Investment Detail									
(A)	Part 38 InterLATA Total (B)	Source or Apportion (C)	Common Line (D)	Local Switching (E)	Information (F)	Common Transport (G)	Billing and Collection (H)	Other (I)	
13 LAND AND SUPPORT ASSETS:									
14 Land Assets, Message	\$112,190	T28	\$35,738	\$32,903	\$0	\$43,084	\$0	\$463	O.K.
15 Land Assets, Private Line	0	T28	0	0	0	0	0	0	O.K.
16									
17 Total Land Assets	\$112,190		\$35,738	\$32,903	\$0	\$43,084	\$0	\$463	O.K.
18									
19 Support Assets, Message	0,511,134	T28	\$2,074,115	\$1,909,579	\$0	\$2,500,550	\$0	\$28,891	O.K.
20 Support Assets, Private Line	17,479	T28	5,568	5,126	0	6,713	0	72	O.K.
21									
22 Total Support Assets	\$6,528,612		\$2,079,682	\$1,914,705	\$0	\$2,507,262	\$0	\$28,933	O.K.
23									
24 Total Land and Supp. Assets	\$8,640,802		\$2,115,420	\$1,947,608	\$0	\$2,550,378	\$0	\$27,396	O.K.
25									
26 CENTRAL OFFICE EQUIPMENT:									
27									
28 Operator Sys., DA	\$0	(F)	\$0	\$0	\$0	\$0	\$0	\$0	O.K.
29 Operator Sys., Other	356	(I)	0	0	0	0	0	356	O.K.
30									
31 Total Operator Systems	\$356		\$0	\$0	\$0	\$0	\$0	\$356	O.K.
32									
33 Tandem Switching	\$379,726	(G)	\$0	\$0	\$0	\$379,726	\$0	\$0	O.K.
34 Tandem Assigned	0	Direct	0	0	0	0	0	0	O.K.
35									
36 Total Tandem Switching	\$379,726		\$0	\$0	\$0	\$379,726	\$0	\$0	O.K.
37									
38 Local Switching	\$3,975,769	(E)	\$0	\$3,975,769	\$0	\$0	\$0	\$0	O.K.
39 Local Assigned	0	Direct	0	0	0	0	0	0	O.K.
40									
41 Total Local Switching	\$3,975,769		\$0	\$3,975,769	\$0	\$0	\$0	\$0	O.K.
42									
43 Total Switching	\$4,355,495		\$0	\$3,975,769	\$0	\$379,726	\$0	\$0	O.K.
44									

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U S WEST COMMUNICATIONS

***** FCC PART 68 ***** InterLATA Investment Detail		Part 38 InterLATA Total	Source or Apportion	Common Line	Local Switching	Information	Common Transport	Billing and Collection	Other	
(A)		(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	
58	COE Exch. Trunk	\$64,708	Direct	\$0	\$0	\$0	\$64,440	\$0	\$268	OK
59	COE Exch. Line - Message	3,745,639	(D)	3,745,639	0	0	0	0	0	OK
60	COE Exch. Line - PL etc.	2,679	(I)	0	0	0	0	0	2,679	OK
61	COE Exch. Line - Assigned	0	Direct	0	0	0	0	0	0	OK
62	COE Interexchange, Message	2,031,667	(G)	0	0	0	2,031,667	0	0	OK
63	COE Interexchange, PL	32,858	(I)	0	0	0	0	0	32,858	OK
64	COE Interexchange, Assigned	0	(G)	0	0	0	0	0	0	OK
65	COE H/R Message	1,980,080	(G)	0	0	0	1,980,080	0	0	OK
66	COE H/R Assigned	0	Direct	0	0	0	0	0	0	OK
67										
68	Total COE Transmission	\$7,857,031		\$3,745,639	\$0	\$0	\$4,076,187	\$0	\$35,805	OK
69										
70	Total Central Office Equip.	\$12,213,484		\$3,745,639	\$3,975,769	\$0	\$4,455,913	\$0	\$38,163	OK
71										
72	IOT EQUIPMENT:									
73										
74	Public Telephone	\$572,695	T43	\$572,695	\$0	\$0	\$0	\$0	\$0	OK
75	Coinless Pay Phone	4,150	(D)	4,150	0	0	0	0	0	OK
76	Customer Premises Equipment	0	T60	0	0	0	0	0	0	OK
77										
78	Total IOT Equipment	\$572,695		\$572,695	\$0	\$0	\$0	\$0	\$0	OK
79										
80	CABLE AND WIRE FACILITIES:									
81										
82	Exchange PL and WATS	\$14,524	(I)	\$0	\$0	\$0	\$0	\$0	\$14,524	OK
83	Exchange Message	20,303,858	(D)	20,303,858	0	0	0	0	0	OK
84	Exchange Assigned	0	Direct	0	0	0	0	0	0	OK
85										
86	Total Exchange Line C&WF	\$20,318,382		\$20,303,858	\$0	\$0	\$0	\$0	\$14,524	OK
87										
88	Exchange Trunk, Message	\$70,372	Direct	\$0	\$0	\$0	\$70,061	\$0	\$291	OK
89	Exchange Trunk, PL	871	Direct	0	0	0	651	0	11	OK
90										
91	Total Exchange Trunk C&WF	\$71,243		\$0	\$0	\$0	\$70,942	\$0	\$302	OK
92										
93	Interexchange Message	\$302,466	(G)	\$0	\$0	\$0	\$302,466	\$0	\$0	OK
94	Interexchange PL, WATS	4,935	(I)	0	0	0	0	0	4,935	OK
95	Interexchange Assigned	0	(G)	0	0	0	0	0	0	OK
96										
97	Total Interexchange C&WF	\$307,401		\$0	\$0	\$0	\$302,466	\$0	\$4,935	OK

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U S WEST COMMUNICATIONS

***** FCC PART 69 ***** InterLATA Investment Detail		Part 38 InterLATA Total	Source or Apportion	Common Line	Local Switching	Information	Common Transport	Billing and Collection	Other	
(A)		(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	
111	H/R C&WF, Message	\$376,918	(G)	\$0	\$0	\$0	\$376,918	\$0	\$0	OK
112	H/R C&WF, WATS	0	(I)	0	0	0	0	0	0	OK
113	H/R C&WF, Assigned	0	Direct	0	0	0	0	0	0	OK
114										
115	Total H/R Remote C&WF	\$376,918		\$0	\$0	\$0	\$376,918	\$0	\$0	OK
116										
117	Total Cable and Wire Facil	\$21,073,944		\$20,303,958	\$0	\$0	\$750,326	\$0	\$19,761	OK
118										
119	TANGIBLE ASSETS:									
120										
121	Land and Support Leases	\$488,861	T28	\$155,728	\$143,373	\$0	\$187,745	\$0	\$2,017	OK
122										
123	COE Operator Leases	\$0	32	\$0	\$0	\$0	\$0	\$0	\$0	OK
124	COE Tandem Switching Leases	0	34	0	0	0	0	0	0	OK
125	COE Local Switching Leases	0	39	0	0	0	0	0	0	OK
126	COE Transmission Leases	0	68	0	0	0	0	0	0	OK
127										
128	Total COE Leases	\$0		\$0	\$0	\$0	\$0	\$0	\$0	OK
129										
130	IOT Equipment Leases	\$0	78	\$0	\$0	\$0	\$0	\$0	\$0	OK
131										
132	C&WF Leases	\$0	117	\$0	\$0	\$0	\$0	\$0	\$0	OK
133										
134	Total Capital Leases	\$488,861		\$155,728	\$143,373	\$0	\$187,745	\$0	\$2,017	OK
135										
136	Leasehold Impr., Alloc.	\$680	T37	\$438	\$97	\$0	\$128	\$0	\$1	OK
137	Leasehold Impr., Direct	0	Direct	0	0	0	0	0	0	OK
138										
139	Total Leasehold Improvements	\$680		\$438	\$97	\$0	\$128	\$0	\$1	OK
140										
141	Total Tangible Assets	\$489,521		\$156,162	\$143,409	\$0	\$187,872	\$0	\$2,018	OK
142										
143										
144	TOTAL INTANGIBLE ASSETS	\$10,862	T37	\$7,171	\$1,589	\$0	\$2,080	\$0	\$22	OK
145										
146										
147	PROPERTY HELD FOR FUTURE US	\$0	T48	\$0	\$0	\$0	\$0	\$0	\$0	OK

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U S WEST COMMUNICATIONS

***** FCC PART 59 ***** InterLATA Investment Detail		Part 38 InterLATA Total	Source or Apportion	Common Line	Local Switching	Information	Common Transport	Billing and Collection	Other	
(A)		(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	
161	PLANT UNDER CONSTRUCTION:									
162										
163	Short-term	\$0	T48	\$0	\$0	\$0	\$0	\$0	\$0	OK
164	Long-term	0	T48	0	0	0	0	0	0	OK
165										
166	Total Plt. Under Const	\$0		\$0	\$0	\$0	\$0	\$0	\$0	OK
167										
168										
169	TELEPHONE PLANT ADJUSTMENT	\$0	T48	\$0	\$0	\$0	\$0	\$0	\$0	OK
170										
171	CLASS B RTB STOCK	\$0	T37	\$0	\$0	\$0	\$0	\$0	\$0	OK
172										
173	MATERIALS AND SUPPLIES	\$45,691	T37	\$30,164	\$6,682	\$0	\$8,751	\$0	\$94	OK
174										
175	CASH WORKING CAPITAL	\$237,862	T37	\$157,043	\$34,791	\$0	\$45,558	\$0	\$439	OK
176										
177	EQUAL ACCESS INVESTMENT	\$0	Direct	\$0	\$0	\$0	\$0	\$0	\$0	OK

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U S WEST COMMUNICATIONS

***** FCC PART 69 *****									
InterLATA Reserves and Deferrals									
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	
13 ACCUM. DEPRECIATION, TPIS:									
14									
15 Support Assets	\$1,967,271	T29	\$833,043	\$582,825	\$0	\$703,205	\$0	\$5,198	OK
16 COE Switching	2,050,847	R44	0	1,872,048	0	178,799	0	0	OK
17 COE Operator	258	R32	0	0	0	0	0	258	OK
18 COE Transmission	4,253,345	R68	2,027,519	0	0	2,208,445	0	19,381	OK
19 IOT Equipment	379,789	R78	379,789	0	0	0	0	0	OK
20 Cable and Wire Facilities	12,684,867	R117	12,202,085	0	0	459,928	0	11,878	OK
21 Other Plant	22,670	T37	14,969	\$,318	0	4,342	0	47	OK
22									
23 Total Accum. Depr., TPIS	\$21,358,047		\$15,257,382	\$2,458,188	\$0	\$3,603,717	\$0	\$39,781	OK
24									
25 ACCUM. AMORTIZATION:									
26									
27 Accum. Depreciation, PHFU	0	T37	\$0	\$0	\$0	\$0	\$0	\$0	OK
28 Accum. Amort., Tangible Inv.	165,023	T37	108,944	24,135	0	31,605	0	339	OK
29 Accum. Amort., Intang. Inv.	2,188	T37	1,444	320	0	419	0	5	OK
30 Accum. Amort., Other	0	T37	0	0	0	0	0	0	OK
31									
32 Tot. Accum. Amortization	\$187,211		\$110,388	\$24,455	\$0	\$32,024	\$0	\$344	OK
33									
34 Total Accum. Depr./Amort.	\$21,528,258		\$15,387,770	\$2,482,643	\$0	\$3,635,741	\$0	\$40,105	OK
35									
36									
37 ACCUM. DEF. INC. TAXES, NET:									
38									
39 Support Assets	\$852,633	T29	\$271,805	\$250,060	\$0	\$327,451	\$0	\$3,517	OK
40 COE Switching	688,492	R44	0	628,467	0	60,025	0	0	OK
41 COE Operator	(5)	R32	0	0	0	0	0	(5)	OK
42 COE Transmission	809,775	R68	388,010	0	0	420,075	0	3,620	OK
43 IOT Equipment	74,688	R78	74,688	0	0	0	0	0	OK
44 Cable and Wire Fac.	817,515	R117	787,841	0	0	28,107	0	787	OK
45 Unclassified	1,108	T37	730	182	0	212	0	2	OK
46									
47 Total Accum. Def. Inc. Taxes	\$8,244,104		\$1,520,575	\$678,688	\$0	\$938,870	\$0	\$7,971	OK

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U S WEST COMMUNICATIONS

***** FCC PART 69 ***** Apportionment Factors		Part 36 InterLATA Total	Source	Common Line	Local Switching	Information	Common Transport	Billing and Collection	Other	
(A)		(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	
13	Central Office Equipment	\$12,213,484	R70	\$3,745,839	\$3,975,789	\$0	\$4,455,913	\$0	\$36,163	OK
14	Info. Orig./Term. Eqpt.	572,895	R78	572,895	0	0	0	0	0	OK
15	C&W Facilities	21,073,844	R117	20,303,858	0	0	750,328	0	19,761	OK
16										
17	Total	\$33,860,124		\$24,622,182	\$3,975,789	\$0	\$5,208,239	\$0	\$55,924	OK
18	Factor	1.000000		0.727174	0.117417	0.000000	0.153757	0.000000	0.001652	OK
19										
20	Sum: Sw., Trans., Other	\$9,237,932	17	\$0	\$3,975,789	\$0	\$5,208,239	\$0	\$55,924	OK
21	Factor	1.000000		0.000000	0.430374	0.000000	0.583572	0.000000	0.006054	OK
22										
23	Central Office Equipment	\$12,213,484	R70	\$3,745,839	\$3,975,789	\$0	\$4,455,913	\$0	\$36,163	OK
24	Info. Orig./Term. Eqpt.	572,895	R78	572,895	0	0	0	0	0	OK
25	C&WF, Excl. Exch. Message	770,086	R117-83	0	0	0	750,328	0	19,761	OK
26										
27	Total	\$13,558,265		\$4,318,334	\$3,975,789	\$0	\$5,208,239	\$0	\$55,924	OK
28	Factor	1.000000		0.318549	0.293279	0.000000	0.384047	0.000000	0.004125	OK
29										
30	General Support Facilities	\$8,840,802	R25	\$2,115,420	\$1,947,808	\$0	\$2,550,378	\$0	\$27,386	OK
31	Central Office Equipment	12,213,484	13	3,745,839	3,975,789	0	4,455,913	0	36,163	OK
32	Info. Orig./Term. Eqpt.	572,895	14	572,895	0	0	0	0	0	OK
33	C&W Facilities	21,073,844	15	20,303,858	0	0	750,328	0	19,761	OK
34	Equal Access Investment	0	R177	0	0	0	0	0	0	OK
35										
36	Total	\$40,500,826		\$28,737,612	\$5,923,377	\$0	\$7,758,617	\$0	\$83,320	OK
37	Factor	1.000000		0.660173	0.148253	0.000000	0.191912	0.000000	0.002057	OK
38										
39	Sum: Com. Ln., Sw., Trans.	\$40,417,807	33	\$28,737,612	\$5,923,377	\$0	\$7,758,617	\$0	\$0	OK
40	Factor	1.000000		0.661534	0.148554	0.000000	0.191912	0.000000	0.000000	OK
41										
42	COE Cat. 2 Factor	1.000000	Direct	0.000000	0.000000	0.000000	1.000000	0.000000	0.000000	OK
43	IOT Cat. 1 Factor	1.000000	Direct	1.000000	0.000000	0.000000	0.000000	0.000000	0.000000	OK
44										
45	Total TPIS	\$41,001,309	Q26	\$28,800,845	\$6,068,435	\$0	\$7,948,570	\$0	\$85,360	OK
46	Factor	1.000000		0.659100	0.148006	0.000000	0.193813	0.000000	0.002082	OK

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U S WEST COMMUNICATIONS

***** FCC PART 89 ***** Apportionment Factors		Part 56 InterLATA Total	Source	Common Line	Local Switching	Information	Common Transport	Billing and Collection	Other	
(A)		(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	
60	Interstate Equiv. Factor	0.000000	Direct	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	O K
61	Wtd. Std. Work Seconds	1.000000	Direct	1.000000	0.000000	0.000000	0.000000	0.000000	0.000000	O K
62										
63	"BIG THREE" Expenses	\$3,400,601	U171	\$2,074,998	\$457,275	\$2,075	\$809,321	\$258,174	\$7,761	O K
64	Factor	1.000000		0.608753	0.134153	0.000809	0.178466	0.075742	0.002277	O K
65										
66	Net Investment	18,514,521	P13	10,199,808	2,748,577	0	3,528,288	0	37,568	O K
67	Factor	1.000000		0.317327	0.168434	0.000000	0.213646	0.000000	0.002293	O K

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U S WEST COMMUNICATIONS

***** FCC PART 69 ***** Operating Expenses and Taxes		Part 35 InterLATA Total	Apportion	Common Line	Local Switching	Information	Common Transport	Billing and Collection	Other	
(A)		(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	
13	PLANT SPEC. OPER. EXPENSE:									
14										
15	Network Support, Alloc.	\$6,023	T37	\$5,288	\$1,174	\$0	\$1,537	\$0	\$17	OK
16	Network Support, Direct	0	Direct	0	0	0	0	0	0	OK
17										
18	Total Network Support Exp.	\$6,023		\$5,288	\$1,174	\$0	\$1,537	\$0	\$17	OK
19										
20	General Support, Alloc.	\$548,043	T30	\$174,578	\$160,729	\$0	\$210,474	\$0	\$2,281	OK
21	General Support, Direct	0	Direct	0	0	0	0	0	0	OK
22										
23	Total General Support Exp.	\$548,043		\$174,578	\$160,729	\$0	\$210,474	\$0	\$2,281	OK
24										
25	Central Office Eq., Alloc.	\$329,694	T31	\$101,111	\$107,323	\$0	\$120,264	\$0	\$978	OK
26	Central Office Eq., Direct	0	Direct	0	0	0	0	0	0	OK
27										
28	Total COE Exp.	\$329,694		\$101,111	\$107,323	\$0	\$120,264	\$0	\$978	OK
29										
30	Cust. Premises Equip.	\$0	R76	\$0	\$0	\$0	\$0	\$0	\$0	OK
31	Other IOT	\$7,746	T43	\$7,746	0	0	0	0	0	OK
32	IOT Direct	0	Direct	0	0	0	0	0	0	OK
33										
34	Total IOT Exp.	\$7,746		\$7,746	\$0	\$0	\$0	\$0	\$0	OK
35										
36	Cable & Wire, Alloc.	\$836,309	T33	\$805,749	\$0	\$0	\$29,778	\$0	\$784	OK
37	Cable & Wire, Direct	0	Direct	0	0	0	0	0	0	OK
38										
39	Total C&WF Exp.	\$836,309		\$805,749	\$0	\$0	\$29,778	\$0	\$784	OK
40										
41	TOTAL PLT. SPEC. OPER. EXP.	\$1,819,817		\$1,184,482	\$269,226	\$0	\$382,071	\$0	\$4,038	OK
42										
43	TOTAL PLT. SPEC., ex SUPPORT	\$1,283,749		\$1,004,606	\$107,323	\$0	\$150,080	\$0	\$1,760	OK

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U S WEST COMMUNICATIONS

***** FCC PART 69 ***** Operating Expenses and Taxes	Part 38 InterLATA Total	Apportion	Common Line	Local Switching	Information	Common Transport	Billing and Collection	Other	
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	
57 NON-SPECIFIC OPER. EXP.:									
58									
59 Oth. Plt. and Equip., Alloc.	(\$5,588)	T10	(\$5,572)	(\$1,128)	\$0	(\$1,474)	\$0	(\$18)	OK
60 Oth. Plt. and Equip., Direct	0	Direct	0	0	0	0	0	0	OK
61									
62 Total Oth. Plt. & Equip.	(\$5,588)		(\$5,572)	(\$1,128)	\$0	(\$1,474)	\$0	(\$18)	OK
63									
64 Network Operations, Alloc.	\$697,747	T10	\$725,535	\$117,153	\$0	\$153,411	\$0	\$1,548	OK
65 Network Operations, Direct	0	Direct	0	0	0	0	0	0	OK
66									
67 Total Network Oper. Exp.	\$697,747		\$725,535	\$117,153	\$0	\$153,411	\$0	\$1,548	OK
68									
69 Total Access Expenses	\$0	Direct	\$0	\$0	\$0	\$0	\$0	\$0	OK
70									
71 Depr., Support Assets	\$182,374	R23	\$48,539	\$44,688	\$0	\$58,519	\$0	\$829	OK
72 Depr., COE Switching	783,373	R44	0	\$36,819	0	88,553	0	0	OK
73 Depr., COE Operator	(888)	R32	0	0	0	0	0	(888)	OK
74 Depr., COE Transmission	529,079	R68	250,778	0	0	272,908	0	2,327	OK
75 Depr., IOT Equipment	42,019	R78	42,019	0	0	0	0	0	OK
76 Depr., C&W Facilities	1,783,571	R117	1,718,385	0	0	93,503	0	1,972	OK
77 Depr., PHFU	0	R147	0	0	0	0	0	0	OK
78									
79 Total Depreciation Expense	\$3,287,820		\$2,880,628	\$741,508	\$0	\$481,481	\$0	\$4,009	OK
80									
81 Amort., Tangible Assets	\$104,675	R141	\$33,592	\$30,878	\$0	\$40,173	\$0	\$432	OK
82 Amort., Intangible Assets	407	R144	289	59	0	78	0	1	OK
83 Other Amortization	0	Direct	0	0	0	0	0	0	OK
84 Direct Assigned Amort.	4,061	Direct	0	0	0	0	0	4,061	OK
85									
86 Total Amortization Exp.	\$109,163		\$33,681	\$30,738	\$0	\$40,251	\$0	\$4,513	OK
87									
88 Total Depr. and Amort.	\$3,379,780		\$2,984,289	\$772,245	\$0	\$501,732	\$0	\$8,522	OK
89									
90 TOTAL NON-SPEC. OPER. EXP.	\$4,384,943		\$2,812,852	\$858,272	\$0	\$853,868	\$0	\$10,154	OK

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U S WEST COMMUNICATIONS

***** FCC PART 80 ***** Operating Expenses and Taxes	Part 38 InterLATA Total	Apportion	Common Line	Local Switching	Information	Common Transport	Billing and Collection	Other	
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	
104 CUSTOMER OPERATIONS EXPENSE:									
105									
106 Marketing, Allocable	\$204,354	T37	\$134,908	\$20,587	\$0	\$39,137	\$0	\$420	OK
107 Marketing, Direct	0	Direct	0	0	0	0	0	0	OK
108									
109 Total Marketing Expense	\$204,354		\$134,908	\$20,587	\$0	\$39,137	\$0	\$420	OK
110									
111 Operator Service, Alloc.	\$708	T61	\$708	\$0	\$0	\$0	\$0	\$0	OK
112 Operator Service, Direct	0	Direct	0	0	0	0	0	0	OK
113									
114 Total Operator Service	\$708		\$708	\$0	\$0	\$0	\$0	\$0	OK
115									
116 Classified Directory	\$0	Direct	\$0	\$0	\$0	\$0	\$0	\$0	OK
117 Alphabetical Directory	2,048	(F)	0	0	2,048	0	0	0	OK
118 Foreign Directory	0	Direct	0	0	0	0	0	0	OK
119									
120 Total Directory	\$2,048		\$0	\$0	\$2,048	\$0	\$0	\$0	OK
121									
122 Bus. Ofc., EU Presubscription	0	T40	\$0	\$0	\$0	\$0	\$0	\$0	OK
123 Bus. Ofc., Reserved	0	(I)	0	0	0	0	0	0	OK
124 Bus. Ofc., EU PL	15	(H)	0	0	0	0	0	15	OK
125 Bus. Ofc., EU Message	48,429	(H)	0	0	0	0	48,429	0	OK
126 Bus. Ofc., EU Reserved	0	(I)	0	0	0	0	0	0	OK
127 Bus. Ofc., IX Special Access	1,084	(I)	0	0	0	0	0	1,084	OK
128 Bus. Ofc., IX Switched Access	7,439	T40	4,821	1,090	0	1,428	0	0	OK
129 Bus. Ofc., IX Billing and Collection	42,192	(H)	0	0	0	0	42,192	0	OK
130 Bus. Ofc., Coin Collection & Administ.	30,900	(D)	30,900	0	0	0	0	0	OK
131 Bus. Ofc., Reserved	0	(I)	0	0	0	0	0	0	OK
132									
133 Total Business Office	\$130,039		\$35,821	\$1,090	\$0	\$1,428	\$90,621	\$1,073	OK
134									
135 Cust. Serv., Mag. Process	\$7,537	(H)	0	0	0	0	7,537	0	OK
136 Cust. Serv., Other B&C	158,428	(H)	0	0	0	0	158,428	0	OK
137 Cust. Serv., CABS	94,009	T21	0	40,459	0	52,981	0	589	OK
138 Cust. Serv., EU Common Line	0	(H)	0	0	0	0	0	0	OK
139									
140 Total Customer Service	\$257,975		\$0	\$40,459	\$0	\$52,981	\$163,966	\$589	OK
141									
142 Total BO, CS, OS, Dir.	\$390,785		\$38,527	\$41,549	\$2,048	\$54,408	\$254,587	\$1,647	OK

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U S WEST COMMUNICATIONS

***** FCC PART 69 ***** Operating Expenses and Taxes		Part 36 InterLATA Total	Apportion	Common Line	Local Switching	Information	Common Transport	Billing and Collection	Other	
(A)		(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	
158	Other Cust. Serv., Alloc.	\$5,505	142	\$515	\$585	\$28	\$767	\$3,587	\$23	OK
159	Other Cust. Serv., Direct	0	Direct	0	0	0	0	0	0	OK
160										
161	Total Other Cust. Serv.	\$5,505		\$515	\$585	\$28	\$767	\$3,587	\$23	OK
162										
163	TOTAL CUSTOMER OPER. EXP.	\$600,825		\$171,951	\$72,022	\$2,075	\$94,312	\$258,174	\$2,091	OK
164										
165	"BIG-THREE" EXPENSES:									
166										
167	Total Pkt. Specific Exp.	\$1,819,817	41	\$1,184,482	\$289,228	\$0	\$382,071	\$0	\$4,038	OK
168	Total Pkt. Non-specific Exp.	988,139	82 ÷ 67 + 09	718,503	118,027	0	151,937	0	1,832	OK
169	Total Customer Operations	600,825	163	171,951	72,022	2,075	94,312	258,174	2,091	OK
170										
171	TOTAL "BIG THREE" EXPENSES	\$3,408,601		\$2,074,998	\$457,275	\$2,075	\$608,321	\$258,174	\$7,761	OK
172										
173	CORPORATE OPERATIONS EXPENSE:									
174										
175	Exec. and Planning, Alloc.	\$140,073	T64	\$90,140	\$19,885	\$90	\$26,428	\$11,215	\$337	OK
176	Exec. and Planning, Direct	0	Direct	0	0	0	0	0	0	OK
177										
178	Total Exec. and Planning	\$140,073		\$90,140	\$19,885	\$90	\$26,428	\$11,215	\$337	OK
179										
180	Admin. & General, Allocable	\$1,484,585	T64	\$891,558	\$196,478	\$892	\$251,375	\$110,929	\$3,335	OK
181	Admin. & General, Direct	0	Direct	0	0	0	0	0	0	OK
182										
183	Total Admin. and Gen.	\$1,484,585		\$891,558	\$196,478	\$892	\$251,375	\$110,929	\$3,335	OK
184										
185	TOTAL CORPORATE OPERATIONS	\$1,612,838		\$891,558	\$213,341	\$982	\$287,802	\$122,144	\$3,672	OK
186										
187	NON-INCOME TAXES:									
188										
189	Non-income Taxes, Allocable	\$610,723	T17	\$403,183	\$89,320	\$0	\$118,934	\$0	\$1,258	OK
190	Non-income Taxes, Direct	0	Direct	0	0	0	0	0	0	OK
191										
192										
193	Total Non-income Taxes	\$610,723		\$403,183	\$89,320	\$0	\$118,934	\$0	\$1,258	OK
194										
195	TOTAL OPER. EXP. AND TAXES	\$9,008,751		\$5,554,166	\$1,535,181	\$3,057	\$1,514,818	\$380,318	\$21,211	OK

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SOUTH DAKOTA PUC INTRASTATE ACCESS COST MODEL

COMPANY NAME U S WEST COMMUNICATIONS
 PERIOD ADDRESSED ENDING DECEMBER 31, 1995
 RUN DATE AND TIME 04-Oct-98 01:03:31 PM

NOTES: SEE SHEET "G" TO INPUT PART 38 ALLOCATION FACTORS.

		Intrastate								
				Message Telephone Service		Private Line				
				InterLATA		IntraLATA				
				InterLATA		IntraLATA				
				InterLATA		IntraLATA				
				InterLATA		IntraLATA				
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SOUTH DAKOTA PUC INTRASTATE ACCESS COST MODEL

U S WEST COMMUNICATIONS
ENDING DECEMBER 31, 1988

		Intrastate							
		TOTAL COMPANY	Source/ Allocator	Interstate and Other	Message Telephone Service		Private Line		TOTAL INTRASTATE
***** FCC PART 36 *****					InterLATA	IntraLATA	InterLATA	IntraLATA	
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	
70 CAT 2 CP Equipment	1	---	1	0	0	0	0	0	
71 Reserved	0	---	---	---	---	---	---	---	
72 Reserved	0	---	---	---	---	---	---	---	
73 CAT 1.3 Joint Msg., Cat. 1.1 & 1.2 P	213,764,513	---	---	---	---	---	---	---	
74 Other CAT 1 C&WF	0	---	0	0	0	0	0	0	
75 CAT 2 C&WF	2,257,391	---	---	---	---	---	---	---	
76 CAT 2 C&WF, Wideband	19,167,393	---	13,062,667	0	0	37,512	6,097,016	6,134,528	
77 CAT 3 Joint Message & PL/WATS	3,060,703	---	---	---	---	---	---	---	
78 Reserved	0	---	---	---	---	---	---	---	
79 CAT 3 Direct	529	---	28	0	501	0	0	501	
80 CAT 4 Message	2,712,419	---	---	---	---	---	---	---	
81 CAT 4 WATS	0	---	0	0	0	0	0	0	
82 CAT 4 Direct	0	---	0	0	0	0	0	0	
83 Allocable Support Leases	6,285,305	---	---	---	---	---	---	---	
84 Direct Support Leases	0	---	0	0	0	0	0	0	
85 COE Operator	0	---	---	---	---	---	---	---	
86 COE Tandem Switch	0	---	---	---	---	---	---	---	
87 COE Local Switch	0	---	---	---	---	---	---	---	
88 COE Transmission	0	---	---	---	---	---	---	---	
89 COE Direct	0	---	0	0	0	0	0	0	
90 IOT Leases	0	---	0	0	0	0	0	0	
91 C&WF Leases	0	---	0	0	0	0	0	0	
92 Leasehold Imp. Land etc.	8,487	---	---	---	---	---	---	---	
93 Leasehold Imp. COE Switching	0	---	---	---	---	---	---	---	
94 Leasehold Imp. COE Operator	0	---	---	---	---	---	---	---	
95 Leasehold Imp. COE Trans	0	---	---	---	---	---	---	---	
96 Leasehold Imp. IOT	0	---	0	0	0	0	0	0	
97 Leasehold Imp. C&WF	0	---	0	0	0	0	0	0	
98 Leasehold Imp. Other	0	---	0	0	0	0	0	0	
99 Allocable Acct. No. 2860	139,658	---	---	---	---	---	---	---	
100 Direct Acct. No. 2890	0	---	0	0	0	0	0	0	
101 Materials and Supplies	480,928	---	---	---	---	---	---	---	
102 RTB Stock	0	---	---	---	---	---	---	---	
103 Tele. Pft. Adjust. - Alloc.	0	---	---	---	---	---	---	---	
104 Tele. Pft. Adjust. - Direct	0	---	0	0	0	0	0	0	
105 Other Assets, Net	0	---	0	0	0	0	0	0	
106 Other Liab., Def. Cr., Net	555,135	---	462,435	22,328	52,349	143	17,860	92,700	

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SOUTH DAKOTA PUC INTRASTATE ACCESS COST MODEL

U S WEST COMMUNICATIONS
ENDING DECEMBER 31, 1985

		Intrastate							
		TOTAL COMPANY	Source/ Allocator	Interstate and Other	Message Telephone Service		Private Line		TOTAL INTRASTATE
***** FCC PART 36 *****					InterLATA	IntraLATA	InterLATA	IntraLATA	
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	
123 TPUC -- Short Term, Alloc.	0	--	--	--	--	--	--	--	
124 TPUC -- Short Term, Direct	0	--	0	0	0	0	0	0	
125 TPUC -- Long Term, Alloc.	0	--	--	--	--	--	--	--	
126 TPUC -- Long Term, Direct	0	--	0	0	0	0	0	0	
127									
128 RESERVES AND DEFERRALS:									
129 Acc. Depr. Support Assets	25,550,430	--	--	--	--	--	--	--	
130 Acc. Depr. COE Switching	45,393,491	--	--	--	--	--	--	--	
131 Acc. Depr. COE Operator	943,751	--	--	--	--	--	--	--	
132 Acc. Depr. COE Transmission	50,588,014	--	--	--	--	--	--	--	
133 Acc. Depr. IOT Equipment	3,801,342	--	--	--	--	--	--	--	
134 Acc. Depr. Cable and Wire Facilities	133,305,318	--	--	--	--	--	--	--	
135 Acc. Depr. Other Plant	178,774	--	156,104	22,670	0	0	0	22,670	
136 Accum. Amort., Tangible Inv.	2,121,706	--	--	--	--	--	--	--	
137 Accum. Amort., Intang. Inv.	28,128	--	--	--	--	--	--	--	
138 Accum. Amort., Other	0	--	0	0	0	0	0	0	
139 Acc. Def. IT Support Assets	10,902,345	--	--	--	--	--	--	--	
140 Acc. Def. IT COE Switching	15,239,086	--	--	--	--	--	--	--	
141 Acc. Def. IT COE Operator	(10,385)	--	--	--	--	--	--	--	
142 Acc. Def. IT COE Trans.	11,344,303	--	--	--	--	--	--	--	
143 Acc. Def. IT IOT Equipment	746,800	--	--	--	--	--	--	--	
144 Acc. Def. IT C&WF	8,604,823	--	--	--	--	--	--	--	
145 Acc. Def. IT Unclassified	10,462	--	9,356	1,106	0	0	0	1,106	
146									
147 OPERATING EXPENSES AND TAXES									
148 Network Support, Alloc	103,178	--	--	--	--	--	--	--	
149 Network Support, Direct	0	--	0	0	0	0	0	0	
150 General Support, Alloc.	7,040,211	--	--	--	--	--	--	--	
151 General Support, Direct	0	--	0	0	0	0	0	0	
152 Central Office Eq., Alloc.	5,808,194	--	--	--	--	--	--	--	
153 Central Office Eq., Direct	0	--	0	0	0	0	0	0	
154 Cust. Premises Equip.	2,288	--	--	--	--	--	--	--	
155 Coinless Pay Phone Exp.	3,359	--	--	--	--	--	--	--	
156 Other IOT	980,000	--	--	--	--	--	--	--	
157 IOT Direct	0	--	0	0	0	0	0	0	
158 Cable & Wire, Alloc.	8,522,645	--	--	--	--	--	--	--	
159 Cable & Wire, Direct	0	--	0	0	0	0	0	0	

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SOUTH DAKOTA PUC INTRASTATE ACCESS COST MODEL

U S WEST COMMUNICATIONS
ENDING DECEMBER 31, 1998

***** FCC PART 30 *****		Intrastate							
		TOTAL COMPANY	Source/ Allocator	Interstate and Other	Message Telephone Service		Private Line		TOTAL INTRASTATE
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	
176 Oth. Plt. and Equip., Alloc.	(123,273)	---	---	---	---	---	---	---	---
177 Oth. Plt. and Equip., Direct	0	---	0	0	0	0	0	0	0
178 Network Operations, Alloc.	12,828,078	---	---	---	---	---	---	---	---
179 Network Operations, Direct	0	---	0	0	0	0	0	0	0
180 Total Access Expense	5,090,710	---	4,485	0	5,086,225	0	0	5,086,225	
181 Depr., Support Assets	1,959,081	---	---	---	---	---	---	---	---
182 Depr., COE Switching	10,806,508	---	---	---	---	---	---	---	---
183 Depr., COE Operator	(2,518,907)	---	---	---	---	---	---	---	---
184 Depr., COE Transmission	7,309,955	---	---	---	---	---	---	---	---
185 Depr., IOT Equipment	429,000	---	---	---	---	---	---	---	---
186 Depr., C&W Facilities	18,773,121	---	---	---	---	---	---	---	---
187 Amort., Tangible Assets	1,345,809	---	---	---	---	---	---	---	---
188 Amort., Intangible Assets	5,229	---	---	---	---	---	---	---	---
189 Other Amortization	0	---	0	0	0	0	0	0	0
190 Direct Assigned Amort.	31,831	---	27,800	4,061	0	0	0	4,061	
191 Marketing, Allocable	8,044,003	---	---	---	---	---	---	---	---
192 Marketing, Direct	169,211	---	169,211	0	0	0	0	0	0
193 Operator Service, Alloc.	3,600,792	---	---	---	---	---	---	---	---
194 Operator Service, Direct	0	---	0	0	0	0	0	0	0
195 Classified Directory	0	---	0	0	0	0	0	0	0
196 Alphabetical Directory	48,085	---	---	---	---	---	---	---	---
197 Foreign Directory	0	---	---	---	---	---	---	---	---
198 Bus. Ofc., EU Presubscription	4,674,182	---	---	---	---	---	---	---	---
199 Bus. Ofc., EU MTS & WATS	1,733,845	---	---	---	---	---	---	---	---
200 Bus. Ofc., EU Access, P/L & all Other	1,334,264	---	---	---	---	---	---	---	---
201 Bus. Ofc., IXC Special Access	112,974	---	---	---	---	---	---	---	---
202 Bus. Ofc., IXC Switched Access	48,034	---	---	---	---	---	---	---	---
203 Bus. Ofc., IXC B & C Services	139,159	---	---	---	---	---	---	---	---
204 Coin Collect & Admin.	301,997	---	---	---	---	---	---	---	---
205 Cust. Svc., Direct	82,510	---	19,455	0	43,055	0	0	43,055	
206 Cust. Serv., Mag. Process	51,240	---	---	---	---	---	---	---	---
207 Cust. Serv., Other B&C	1,834,400	---	---	---	---	---	---	---	---
208 Cust. Serv., CABS	188,018	---	---	---	---	---	---	---	---
209 Cust. Serv., EU Common Line	93,548	---	66,548	0	0	0	0	0	0
210 Other Cust. Serv., Alloc.	143,914	---	---	---	---	---	---	---	---
211 Other Cust. Serv., Direct	0	---	0	0	0	0	0	0	0
212 Exec. and Planning, Alloc.	2,508,232	---	---	---	---	---	---	---	---
213 Exec. and Planning, Direct	0	---	0	0	0	0	0	0	0

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SOUTH DAKOTA PUC INTRASTATE ACCESS COST MODEL
 U S WEST COMMUNICATIONS
 ENDING DECEMBER 31, 1988

				Interstate		Intrastate			
***** FCC PART 36 *****		TOTAL COMPANY	Source/ Allocator	Other	InterLATA	IntraLATA	InterLATA	IntraLATA	TOTAL INTRASTATE
(A)		(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
271	Working Loops	309,073	---	12,229	0	0	21	2,409	2,517
272	Equivalent Interexchange Cct. Miles	2,098,337	---	166,402	352	0	3,310	243,041	246,351
273	Interexchange Circuit Terminations	16,788	---	1,285	2	0	27	2,523	2,550

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LAW OFFICES
OLINGER, LOVALD, ROBBENNOLT & McCAHREN, P.C.

117 EAST CAPITOL

P.O. BOX 66

PIERRE, SOUTH DAKOTA 57501-0066

RONALD D. OLINGER
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WADE A. REIMERS

SOUTH DAKOTA
UTILITIES DIVISION
TELEPHONE 224-8851
AREA CODE 605
FAX 605-224-8269

October 4, 1996

William Bullard, Jr., Executive Director
SD PUC, State Capitol
500 E. Capitol
Pierre, SD 57501

RE: Docket TC96-107

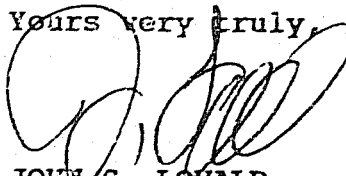
Dear Bill:

I enclose herewith for filing the original Direct Testimony of Patricia A. Parker in the above docket.

I am delivering an original and 11 copies of this testimony and would request that you date stamp one copy which will be retained by AT&T.

Thank you.

Yours very truly,



JOHN S. LOVALD
Attorney at Law

JSL/le

Enclosure

cc: Service List

RECEIVED

OCT 04 1996

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

SOUTH DAKOTA PUBLIC
UTILITY COMMISSION

IN THE MATTER OF THE ESTABLISHMENT)
OF SWITCHED ACCESS RATES FOR)
U S WEST COMMUNICATIONS, INC.)

DOCKET TC96-107

DIRECT TESTIMONY

OF

PATRICIA A. PARKER

OCTOBER 4, 1996

EXHIBIT

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**DIRECT TESTIMONY OF
PATRICIA A. PARKER
DOCKET NO. TC96-107**

1 **Q. PLEASE STATE YOUR NAME, EMPLOYMENT, AND BUSINESS**
2 **ADDRESS.**

3 A. My name is Patricia A. Parker. I am employed by AT&T as a Manager
4 in Access Management. My business address is 1875 Lawrence
5 Street, 14th Floor, Denver, Colorado 80202.

6 **Q. WHAT ARE YOUR CURRENT RESPONSIBILITIES?**

7 A. I analyze Incumbent Local Exchange Companies' ("ILECs") intrastate
8 pricing policies and cost methodologies. In addition, I provide
9 testimony on these issues to state regulatory commissions. I have
10 filed comments and testimony before State Commissions in Arizona,
11 Colorado, Idaho, Iowa, Oregon, Montana, New Mexico, Utah,
12 Washington, Wyoming, and South Dakota.

13 **Q. PLEASE DESCRIBE YOUR WORK EXPERIENCE IN THE**
14 **TELECOMMUNICATIONS INDUSTRY.**

15 A. I began my career with Mountain Bell in 1976 in the Costs, Rates, and
16 Regulatory Department. I held various positions in this department,
17 including supervising the price and incremental cost development for
18 the data product line, analyzing and researching intervenor testimony
19 and industry issues, and managing dockets for Wyoming and Montana.
20 At divestiture, I transferred to AT&T's External Affairs Department
21 where, among other assignments, I analyzed legislation and managed

**DIRECT TESTIMONY OF
PATRICIA A. PARKER
DOCKET NO. TC96-107**

1 dockets for Montana and Idaho. I assumed my current responsibilities
2 in 1987.

3 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.**

4 A. I graduated from the University of Northern Colorado with a Bachelor
5 of Science degree in Business; my emphasis was finance and
6 economics. Since then, I have also attended various training seminars
7 in marketing, economics, accounting, separations, and proper pricing
8 and costing.

9 **Q. PLEASE DESCRIBE THE PURPOSE OF YOUR TESTIMONY.**

10 A. The purpose of my testimony is to discuss AT&T's concerns with U S
11 WEST Communications, Inc. ("USWC") proposal to increase the
12 switched access unit price from 3.12 cents to 6.73 cents per minute.

- 13 • I explain why this 116% increase is unacceptable;
- 14 • I recommend that the Part 36/69 cost study provided by USWC
15 should be rejected; and,
- 16 • I request that the proposed rate increase be denied and that the
17 Carrier Common Line Charge ("CCLC") and Residual
18 Interconnection Charge ("RIC") be eliminated immediately.

19 **Q. PLEASE EXPLAIN USWC'S SWITCHED ACCESS PROPOSAL.**

DIRECT TESTIMONY OF
PATRICIA A. PARKER
DOCKET NO. TC96-107

- 1 A. USWC is proposing to increase the unit price for switched access from
2 3.12¹ to 6.73² cents per minute. For the individual elements that
3 comprise the unit price, USWC is proposing³ to increase the:
- 4 • Originating CCLC from .30 to 1.8 cents per minute; a 509%
5 increase;
 - 6 • Terminating CCLC from .67 to 4.06 cents per minute; a 506%
7 increase;
 - 8 • Premium Local Switching price from .84 to 1.04 cents per
9 minute; a 24% increase; and
 - 10 • Premium RIC from .52 to .56 cents per minute; an additional
11 8% increase.
- 12 Therefore, the overall increase to the IXC's, including impact of the
13 sale of exchanges, is 131%. The Commission must deny USWC's
14 request because USWC's filed cost study is flawed; the filing is ill-

¹ Prior to the sale of USWC's exchanges, the effective unit price was 2.91 cents per minute. However, as a result of the sale, the Interexchange Carriers ("IXCs") will experience an automatic 7% increase even though the actual tariff rates do not change. This increase is over and above the increase in switched access rates in the sold exchanges.

² USWC's witness Wayne G. Culp stated in his testimony that the unit price, based on a fully distributed cost study, is supposed to be approximately 6.4 cents per minute.

³ It should be noted that the actual price proposal has not been provided because USWC revised its Part 36/69 cost study on September 20, 1996.

1 timed and not cost-based; and, the resulting impact is harmful to
2 consumers and anti-competitive to the IXC's.

3 **Q. HAVE YOU REVIEWED USWC'S COST STUDY THAT IS BEING USED**
4 **TO JUSTIFY THIS SWITCHED ACCESS INCREASE?**

5 **A. Yes.**

6 **Q. WHAT ARE THE PROBLEMS WITH USWC'S COST STUDY?**

7 **A.**There are several flaws in the study assumptions and the model does
8 not properly reflect an accounting for the sale of exchanges.

9 First, as a threshold matter, the 1995 test year for rate base
10 and expenses should be further investigated to ensure that USWC has
11 not included costs that are not related to the provisioning of basic
12 access services⁴. Likewise, a thorough examination of the
13 adjustments should be completed. However, given the cost study
14 methodology employed in this proceeding and the time-frame allowed
15 for investigation, a full and complete audit can not be completed.
16 Under rate base regulation, any increase in rates would result in a
17 comprehensive review of all investments and expenses. This is not the
18 case in this proceeding. Nonetheless, there are some questionable
19 adjustments which I have been able to uncover. For example, USWC

⁴ For example, some of the investment and expenses USWC included may be associated with new retail services or services that USWC is planning for the future. While a "Fully Distributed Approach" would capture this, a TSLRIC would not.

DIRECT TESTIMONY OF
PATRICIA A. PARKER
DOCKET NO. TC96-107

1 has included salary, employee level, and inflation adjustments in the
2 base, as well as some process improvement cost⁵.

3 USWC's included adjustments fail in logic. For instance, USWC
4 recently announced a large downsizing of employees. Yet, their
5 adjustments show an increasing level of expenses. Our expectation is
6 that USWC should have reduced the expenses as well as the employee
7 level to be consistent with logical expectations.

8 Application of the CPI inflation factor on unaudited results will
9 inflate the access revenue requirement. The telecommunications
10 industry is a cost declining market; therefore, USWC's revenue
11 requirement should decrease, not increase as it has in this case.

12 USWC also increased its return on investment in this
13 proceeding. The rate of return used exceeds the 9.7% that was
14 previously agreed upon by parties for access studies.⁶ USWC should
15 not be allowed to unilaterally raise its rate of return.

16 USWC did not adjust the Part 64 data, i.e., interstate
17 deregulated services, to reflect its recent sale of exchanges.

⁵ It is entirely unclear from the workpapers what is included in this expense.

⁶ See page 2, Stipulation and Agreement, IN THE MATTER OF THE ESTABLISHMENT
OF SWITCHED ACCESS RATES FOR U S WEST COMMUNICATIONS, Docket No.
TC93-108.

DIRECT TESTIMONY OF
PATRICIA A. PARKER
DOCKET NO. TC96-107

1 Likewise, it is unclear from the data provided whether USWC adjusted
2 its state deregulated services' data.

3 USWC may not have revised its special studies used to classify
4 the plant into Part 36 categories to account for the sale of exchanges.
5 Prior to separating the investments between Interstate and Intrastate,
6 USWC classifies the plant investment into loop, exchange and
7 Interexchange categories because many of the same facilities are used
8 for both toll and local traffic. This classification is required to ensure
9 the investment is separated appropriately. When major events such as
10 sale of exchanges occurs, the use of the investment will change, and,
11 therefore, the categorization will change. To the extent that this was
12 not done, USWC failed to capture the total impact of the sale.

13 USWC did not adjust all its traffic separations data to reflect
14 the sale of exchanges. USWC only adjusted Dial Equipment Minute
15 ("DEM"), Subscriber Line Usage ("SLU"), Conversation Minutes and
16 Conversation Minute Mile data. USWC did not adjust relative Minutes
17 of Use data for tandem, exchange plant, host-remote, termination
18 counts, user counts, revenues, etc. The DEM and SLU data is highly
19 suspect because the difference between the 1995 minutes ("pre-sale")
20 and the 1993 data from the sale of exchanges' Confidential Offering
21 of Memorandum is understated.

**DIRECT TESTIMONY OF
PATRICIA A. PARKER
DOCKET NO. TC96-107**

1 It appears USWC forecasted data (e.g., revenues), as opposed
2 to using actuals, to estimate the sale of exchanges. This is
3 inappropriate. USWC should have used actual data.

4 Lastly, USWC failed to adjust the access charges and billing and
5 collections USWC will pay to the purchasing companies as a result of
6 the sale of exchanges.

7 **Q. USWC HAS INCLUDED A PROFORMA ADJUSTMENT FOR**
8 **DEPRECIATION. IS THIS ADJUSTMENT APPROPRIATE?**

9 A. No. USWC should not be allowed to increase its costs by arbitrarily
10 shortening its depreciation lives. USWC claims that it was authorized
11 to do so under its current AFOR agreement. Yet, USWC does not
12 include other proforma adjustments from that docket. In particular,
13 USWC has not adjusted its revenues for the rate increases it was
14 granted. USWC can not have it both ways. Either all adjustments,
15 both positive and negative, should be included from that docket or
16 there should be no adjustments at all. This is a prime example of why
17 USWC's unaudited data is highly questionable.

18 **Q. HAS AT&T REVIEWED THE ACCESS DEMAND ASSOCIATED WITH**
19 **THIS FILING?**

20 A. Yes. As part of the algorithms used to calculate the unit price, USWC
21 converts its own toll minutes to an equivalent access minute of use.

**DIRECT TESTIMONY OF
PATRICIA A. PARKER
DOCKET NO. TC96-107**

1 USWC appears to have understated the originating toll minutes of use
2 for the sold exchanges. Likewise USWC failed to include the USWC
3 toll minutes that would originate from the Independent Telephone
4 Companies' territories⁷. In addition, USWC fails to account for the
5 additional access minutes that USWC's own toll would have for
6 customers that use CLASS services (e.g., call forwarding) in
7 conjunction with their toll services.

8 **Q. DOES AT&T HAVE OTHER CONCERNS WITH THE REVENUE**
9 **REQUIREMENT RATEMAKING PORTION OF USWC'S ACCESS PRICE**
10 **DEVELOPMENT?**

11 **A.** Yes. USWC failed to account for miscellaneous access revenues (e.g.,
12 800 Carrier Identification Code, Direct Assistance transport, non-
13 recurring, etc.) associated with the switched revenue requirement for
14 both USWC, as well as the IXCs toll. Basically, USWC divides the
15 revenue requirement by the IXCs and USWC access minutes without
16 reducing the revenue requirement to account for other switched
17 access revenues.

18 USWC should also reduce the switched access revenue
19 requirement by the Billing and Collections revenues it receives from the

⁷ USWC is the designated toll carrier for an existing company as well as for companies that purchased exchanges. This is part of the terms and conditions of the sale.

**DIRECT TESTIMONY OF
PATRICIA A. PARKER
DOCKET NO. TC96-107**

IXCs, and by a comparable amount that USWC's own toll business would incur. There has always been a basic Billing and Collection flaw in the FCC Part 36 procedure. The procedure allocates no investment and minimal expenses to the billing and collection category. Thus, the switched access revenue requirement contains revenue requirements associated with Billing and Collections. To include the revenue requirement without an offset for the revenues would result in over recovery by USWC.

Q. HAVE YOU REVIEWED OTHER EMBEDDED STUDIES PRODUCED BY USWC FOR SWITCHED ACCESS CHARGES?

A. Yes. According to the 1995 results from the Cost Accounting Allocation System, USWC reported that Switched Access had a return on net investment in excess of 70%⁸. So, on a fully allocated basis, the current switched access rates are contributing handsomely to USWC's embedded costs.

Q. SHOULD THIS COMMISSION APPROVE USWC'S COST STUDY?

A. No. The study is flawed. USWC should not be allowed increase its access rates based on the fully allocated study it produced for this proceeding.

⁸ This figure has not been adjusted for the sale of exchanges.

1 Q. EARLY IN YOUR TESTIMONY YOU INDICATE THAT, IN ADDITION TO
2 USWC'S STUDIES BEING FLAWED, THERE ARE OTHER PROBLEMS
3 WITH USWC'S FILING. PLEASE EXPLAIN.

4 A. USWC's proposed access increases are in direct conflict with the
5 Federal Telecommunications Act of 1996 (the Act). As part of the
6 movement towards a more competitive cost-based
7 telecommunications marketplace, the Act recognizes the need to
8 eliminate implicit subsidies inherent in traditional rate of return
9 regulation and fully-distributed-cost pricing and, move toward a cost-
10 based environment. Cost-based pricing fosters competition in all
11 markets, including local and toll. Based on the Act, the Federal
12 Communications Commission (FCC) is currently developing plans to
13 restructure access as well as Universal Service funding. Increases in
14 access are contrary to cost-based pricing principles. Many access
15 elements, such as the CCLC, are pure subsidy mechanisms and must
16 be eliminated. In addition, rates which are substantially above cost,
17 e.g. interoffice transport and switching, must be reduced to cost in
18 order to effectuate economically efficient market pricing.

19 An example of how USWC's proposal to increase rates is
20 contrary to the industry's effort to move to cost-based prices is as
21 follows: Assuming the switched access unit cost is approximately .5

DIRECT TESTIMONY OF
PATRICIA A. PARKER
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1 cents per minute, the current unit price of 3.12 cent is approximately
2 524% higher than a cost-based rate. An increase to 6.73 cents would
3 result in further movement away from cost-based prices by
4 approximate 1250%, clearly creating an economically inefficient
5 result.

6 The USWC proposal to increase the RIC is also contrary to the
7 United States District Court ruling that found that the RIC was not
8 cost-based. In its order, the Court found⁹:

9 Upon remand, the Commission must either move
10 expeditiously to a cost-based alternative to the RIC,
11 or provide a reasoned explanation why a departure
12 from a cost-based system is necessary and
13 desirable.
14

15 While USWC might be following this Commission's rules using a
16 Part 36/69 approach to justify this huge increase, the industry as well
17 as other Commissions have recognized that the proper cost
18 methodology is Total Service Long Run Incremental Costs ("TSLRIC");
19 not a historical embedded analysis like USWC performed in this case.
20 The FCC recognized recently that Total Element Long Run Incremental
21 Costs was the preferred cost methodology. Recently, this

⁹ Competitive Telecommunications Association, Petitioner v. Federal Communications Commission and United States of America, Respondents, United States Court of Appeals for the District of Columbia Circuit; Docket No. 96-1168; July 5, 1996; page 7.

DIRECT TESTIMONY OF
PATRICIA A. PARKER
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Commission, noting that current access rates are too high, opened a docket to revisit the current access rules. Therefore, this filing is clearly ill-timed given the methodology employed to raise the access rates.

In summary, this request should be denied, or at the very least be delayed, until such time that the federal reform on access charges and universal service is implemented. Now is not the time to raise switched access prices, especially when the trend is to reduce the prices and eliminate implicit subsidies. Raising access rates is not good public policy. While access rates have traditionally provided large contribution to LEC overhead, raising rates now will do little to reduce other rates such as residential local service. If USWC is allowed to increase rates without a cost basis, in the long-run the IXC's will seek out new alternatives to by-pass the LEC network. When by-pass occurs, the LECs will receive no access revenues whatsoever. In a worst case scenario all costs must then be borne by the LEC's end-user customers. At the very least, any rate increase to the IXC's will be passed on to the end-users through higher toll rates.

Q. WHICH SWITCHED ACCESS RATE ELEMENTS ARE NOT COST-BASED?

DIRECT TESTIMONY OF
PATRICIA A. PARKER
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1 A. All of USWC's switched access rate elements are priced far in excess
2 of their underlying economic costs. In the case of the CCLC and RIC,
3 each is a subsidy element with an incremental cost of zero. USWC's
4 own witnesses agree on these points¹⁰. With respect to the RIC and
5 the CCLC, AT&T recommends that these elements be eliminated
6 immediately.

7 USWC's proposal to increase the Local Switching rate element
8 should also be rejected. USWC has attempted similar increases in
9 other jurisdictions. The Washington State Commission rejected
10 USWC's proposal to increase Local Switching. In its Order¹¹, the
11 WUTC stated:

12 We reject USWC's proposal to increase the local switching
13 element of its switched access charge from \$.0065 to
14 \$.0100/minute. USWC's proposal is a step toward economic
15 inefficiency, which the Commission must be particularly mindful
16 of in an increasingly unbundled and competitive market.
17

18 This Commission should follow suit and reject USWC's proposed
19 increases.

20 Q. PLEASE EXPLAIN WHY THIS INCREASE WILL HARM THE IXCS.

¹⁰ Concerning CCLC Dr. Barbara Wilcox, Direct Testimony, page 5, Docket No. 950200, Before the Washington Utilities and Transportation Commission, February 17, 1995, stating: " (t)here are no direct access costs associated with this rate element."

¹¹ Washington Utilities and Transportation Commission, Complainant, v. U S WEST Communications, Inc. Respondent, et. al., Docket No. UT-941464, et. a., October 31, 1995, page. 83.

DIRECT TESTIMONY OF
PATRICIA A. PARKER
DOCKET NO. TC96-107

1 A. As demonstrated in Docket No. TC96-028, several regional IXC's
2 stated that the increase proposed by USWC, in that case, would likely
3 result in them exiting the market or going out of business¹². Mr.
4 William Heaston, Senior Attorney for USWC stated the even a 33%
5 increase in access charges would "have a major impact on a carrier's
6 ability to do business in South Dakota."¹³ If a 33% increase will have
7 a major impact on the IXC's' ability to do business in South Dakota,
8 then a 131% increase would be devastating. USWC's proposal to
9 increase access will harm South Dakota consumers because it will
10 eliminate competitive toll providers. Likewise, high access prices act
11 as a barrier to entry, thus USWC's proposal will not encourage more
12 toll competitors into the South Dakota market. On the other hand,
13 lower switched access prices will foster competition, thereby,
14 increasing consumer choice.

15 Q. PLEASE EXPLAIN WHY THIS PROPOSAL IS ANTI-COMPETITIVE.

16 A. There are several reasons why this proposal is anti-competitive. First,
17 USWC is proposing to raise prices to its competitors for monopoly-
18 bottleneck rate elements. Increasing prices of captive monopoly

¹² Thomas Hertz, on behalf of Dakota Co-op, prefiled testimony, page 4, lines 13 and 14, Docket TC96-028 and Jack Brown on behalf of Express at TR 82 in Docket TC96-028.

¹³ Transmittal to Mr. Marshall Damgaard, Executive Director, August 2, 1993, Docket No. TC93-103.

**DIRECT TESTIMONY OF
PATRICIA A. PARKER
DOCKET NO. TC96-107**

1 customers is anti-competitive if, among other things, the additional
2 cash from the sale of these elements can be used by USWC to fund its
3 own competitive operations. USWC's proposal is clearly contrary to
4 the South Dakota statute that prohibits using monopoly revenues for
5 competitive purposes¹⁴.

6 The second reason USWC's proposal is anti-competitive is that
7 raising the prices to competitors can result in a price squeeze. In this
8 case, USWC has failed to follow the Commission's imputation rules.
9 AT&T could not determine whether a price squeeze is occurring for
10 each of USWC's South Dakota toll services. However, based on our
11 prior experiences in similar cases, we believe a price squeeze does
12 exist. To the extent that USWC's proposal represents a huge increase
13 in costs to USWC's toll competitors, the resulting price squeeze will
14 harm competition.

15 **Q. WHAT ARE AT&T RECOMMENDATIONS?**

16 **A.** AT&T recommends that this Commission reject this filing because
17 USWC's separated cost justification is flawed, the proposed rates are
18 not incrementally cost-based, and the final results will be harmful to
19 both consumers and competitors alike. The entire filing is contrary to
20 the Federal Act and is ill-timed considering the access and universal

¹⁴ SDCL Section 49-31-4.

**DIRECT TESTIMONY OF
PATRICIA A. PARKER
DOCKET NO. TC96-107**

1 service fund reform is in the near future. It makes no sense to raise
2 access today and risk driving toll competitors out of the market when,
3 in the near future, access reform may well produce cost-based access
4 charges. The Commission should reject this filing and incremental
5 cost-based access rates should be implemented. South Dakota
6 consumers will benefit from these recommendations because cost-
7 based access charges will encourage more carriers to enter the
8 market. This will stimulate competition, and competition will produce
9 innovative services as lower prices. Therefore, AT&T urges the
10 Commission to adopt its recommendations.

11 **Q. DOES THIS CONCLUDE YOUR TESTIMONY.**

12 **A. Yes.**

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE ESTABLISHMENT) DOCKET TC96-107
OF SWITCHED ACCESS RATES FOR)
U S WEST COMMUNICATIONS, INC.)
)

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the DIRECT
TESTIMONY OF PATRICIA A. PARKER was served on October 4, 1996:

by Federal Express to the following:

Thomas J. Welk
Attorney at Law
Box 5015
Sioux Falls, SD 57117-5015

and by hand delivery to the following:

David A. Gerdes
Attorney at Law
May, Adam, Gerdes & Thompson
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Pierre, SD 57501

Robert C. Riter, Jr.
Attorney at Law
Riter, Mayer, Hofer, Wattier
& Brown
Pierre, SD 57501

and by fax to the following:

Donald A. Low
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FAX No. 913-624-5681

William P. Heaston
Senior Attorney
US WEST Communications Inc.
1801 California Suite 5100
Denver, Colorado 80202
FAX No. 303-896-0233

and by first class U.S. Mail, postage prepaid, upon the following:

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Manager, Regulatory Affairs
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DCT
PO Box 66
Irene, SD 57037

Page 2 - Certificate of Service

DATED October 4, 1996.

Respectfully submitted,

AT&T Communications of the Midwest,
Inc.

By: 

John S. Lovell
Olinger, Lovell, Robbennolt &
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117 E. Capitol, PO Box 66
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DAVID A. PFEIFLE

October 4, 1996

Mr. William Bullard, Jr.
Executive Director
South Dakota Public Utilities Commission
State of South Dakota
500 East Capitol
Pierre, SD 57501

Re: TC 96-107
In the Matter of the Establishment
of Switched Access Rates for US
West Communications, Inc.

Dear Mr. Bullard:

I write this merely to advise that the prefiled testimony of
Fred Thurman, Susan Cook, Dennis Law, Jerry Noonan and Tom
Simmons were filed on behalf of the Telecommunications Action
Group (TAG).

Thank you.

Very truly yours,

RITER, MAYER, HOFER, WATTIER &
BROWN

By:

Robert C. Riter Jr. by DAP

RCR Jr-wb

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RECEIVED

October 4, 1996

Mr. William Bullard, Jr.
Executive Director
South Dakota Public Utilities Commission
State of South Dakota
500 East Capitol
Pierre, SD 57501

Re: TC 96-107
In the Matter of the Establishment
of Switched Access Rates for US
West Communications, Inc.

Dear Mr. Bullard:

Enclosed herewith please find original and ten copies of the following:

1. Direct Testimony of Fred Thurman,
2. Direct Testimony of Susan Cook,
3. Direct Testimony of Jerry Noonan,
4. Direct Testimony of Tom Simmons, and
5. Direct Testimony of Dennis Law.

I also enclose original Certificate of Service. Please file same in your office.

I also enclose the first page of each testimony. I would appreciate it if you would file stamp the same.

Thank you.

Very truly yours,

RITER, MAYER, HOFER, WATTIER &
BROWN

By: 

RCR Jr-wb

Enclosures

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SOUTH DAKOTA
UTILITY PUBLIC

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE ESTABLISHMENT) TC 96-107
OF SWITCHED ACCESS RATES FOR US) DIRECT TESTIMONY OF
WEST COMMUNICATIONS, INC.) TOM SIMMONS

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is Tom Simmons. My business address is 410
3 S. Phillips Avenue, Sioux Falls, South Dakota 57102.

4 Q. WHAT IS YOUR OCCUPATION AND WHO ARE YOU
5 REPRESENTING?

6 A. I am the Vice President and General Manager of
7 Midco Communications of Sioux Falls, South Dakota and also the
8 Vice President of Telecommunications Action Group (TAG), which is
9 a coalition of certified telecommunications companies operating
10 in South Dakota, which coalition has been granted authority to
11 intervene in the above matter.

12 Q. WHAT IS THE NATURE OF THIS TESTIMONY?

13 A. This testimony is presented to the Commission so it
14 can consider whether U.S. West Communications, Inc.'s application
15 to increase its access charge should be granted in any respect.

16 Q. WHAT IMPACT WOULD THE PROPOSED INCREASE HAVE UPON
17 MIDCO?

18 A. According to information received from U.S. West,
19 the rate proposed would call for an increase to Midco
20 Communications of 108.62% and over 116% to all other carriers.
21 The common carrier line portion of this increase is proposed to
22 move up over 600%. I believe this proposed increase is
23 unreasonable and anti-competitive.

EXHIBIT

1 Q. HAVE YOU REVIEWED OTHER DOCKETS PREPARATORY TO
2 TESTIFYING HEREIN? WHAT IMPACT DO THEY HAVE UPON YOUR TESTIMONY?

3 A. Yes. I reviewed docket TC 93-108 wherein William
4 Heaston filed a letter of August 2, 1993 which in effect affirms
5 our argument that an increase of this magnitude would have a
6 major impact upon Midco Communications' ability to do business in
7 South Dakota, as well as upon other resellers. The proposed
8 increase could well shut down small carriers and lead to less
9 opportunities for competition and ultimately, increase costs for
10 South Dakota consumers.

11 Q. WOULD THE IMPACT NOT BE FELT BY ALL LONG DISTANCE
12 CARRIERS EQUALLY?

13 A. No. Major carriers such as A T & T, MCI, and
14 Sprint would be able to distribute cost increases to customers in
15 other states, however, Midco, which is certified only in South
16 Dakota, would have no choice but to raise rates to its South
17 Dakota customers, who are the people to whom the PUC should grant
18 major consideration.

19 Q. HAS U.S. WEST'S POSITION BEEN CONSISTENT FROM STATE
20 TO STATE ON THIS ISSUE?

21 A. No. In other states there is concern that high
22 access charges may encourage bypass by interexchange carriers
23 because switched access expense is the single largest expense in
24 providing toll services. In a Wyoming proceeding, U.S. West's
25 own expert, Dr. Barbara Wilcox, stated:

26 Switched access traditionally has provided a
27 large margin of contribution toward the

1 common costs of the firm and has been viewed
2 as the source of subsidy to support other
3 telephone services. Therefore, switched
4 access prices greatly exceed their economic
5 costs.

6 This admission from U.S. West verified that the access rates
7 should not be increased.

8 Q. IT APPEARS THAT UNDER THE 1996 TELECOMMUNICATIONS
9 ACT SUBSTANTIAL COMPETITION WILL BE PROVIDED IN ALL AREAS OF
10 TELECOMMUNICATIONS SERVICES, WHICH MAY WELL INCLUDE THE SWITCHED
11 ACCESS BUSINESS. WHAT IMPACT DOES THAT ISSUE HAVE ON THIS
12 PROCEEDING?

13 A. We remain perplexed that U.S. West would submit
14 this rate increase in the face of such eventual competition. If
15 U.S. West desires to retain switched access business, as it must
16 to remain a viable company, excess access contributions must be
17 phased out. If that is not done, U.S. West will lose access
18 market share and if that occurs, it faces a diminishing ability
19 to be a major provider of local services.

20 Q. DO YOU BELIEVE THE ACCESS RATE SOUGHT SHOULD BE
21 APPROVED?

22 A. No. As admitted by U.S. West, access rates appear
23 to remain excessively high. If, however, the PUC determines that
24 an increase is justified, it would seem that access charge
25 increases, if any, should be phased in to minimize the effect on
26 competition in the South Dakota market place and to allow
27 telecommunication carriers to effectively build such increases
28 into their budget and allocate them amongst their expenses, so as

1 to minimize the impact upon consumers.

2 Q. DO YOU BELIEVE PROPER CONSIDERATION HAS BEEN GIVEN
3 TO THE SALE OF THE EXCHANGES BY U.S. WEST IN THE ACCESS CHARGE
4 INCREASE SOUGHT?

5 A. No. It does not appear that the figures could be
6 reliable when even after the sale of 55 "high cost" exchanges
7 (with 8 still pending) that U.S. West itself terms as high cost
8 exchanges, U.S. West had discovered that their costs remain
9 within 2% of previous costs. That rate information should not be
10 deemed reliable.

11 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

12 A. Yes.

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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE ESTABLISHMENT) TC 96-107
OF SWITCHED ACCESS RATES FOR US) CERTIFICATE OF SERVICE
WEST COMMUNICATIONS, INC.)

I, Robert C. Riter, Jr., certify that true and correct
copies of

1. Direct Testimony of Susan Cook,
2. Direct Testimony of Dennis Law,
3. Direct Testimony of Jerry Noonan,
4. Direct Testimony of Fred Thurman, and
5. Direct Testimony of Tom Simmons

was mailed by first class mail to each of the following on the
4th day of October, 1996:

William P. Heaston
Senior Attorney
US West Communications, Inc.
1801 California, Room 5100
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Thomas J. Welk
Attorney at Law
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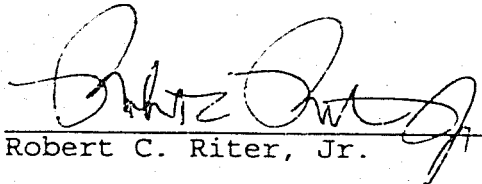
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and that true and correct copies of the above were faxed to the
following on the 4th day of October, 1996:

William P. Heaston - 303-295-7069
Thomas Welk - 605-334-0618
Robert Marmet - 605-263-3995
Donald Low - 913-624-5681


Robert C. Riter, Jr.

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE ESTABLISHMENT) TC 96-107
OF SWITCHED ACCESS RATES FOR US) DIRECT TESTIMONY OF JERRY
WEST COMMUNICATIONS, INC.) R. NOONAN

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is Jerry Noonan. My business address is
3 500 West 10th street, Sioux Falls, SD 57104.

4 Q. WHAT IS YOUR OCCUPATION AND WHO ARE YOU
5 REPRESENTING?

6 A. I am a practicing CPA and the majority stockholder
7 of Tele-Tech, Inc. (a South Dakota based interexchange carrier)
8 and a member of TAG (Telecommunications Action Group). Tele-Tech
9 was established in 1985 and has been in the long distance
10 interexchange business since that time.

11 Q. PLEASE STATE YOUR OCCUPATIONAL BACKGROUND AND
12 EXPERIENCE.

13 A. I have been in the practice of accounting for over
14 29 years in the general practice of accounting, auditing, tax and
15 litigation support services.

16 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

17 A. My purpose is twofold. First to explain to the
18 Commission the financial effect these proposed access rates will
19 have on our company. Further to point out to the Commission the
20 inadequacies of the current South Dakota PUC Intrastate Access
21 Cost Model in view of the Telecommunications Act of 1996.

22 Q. WHAT IS THE FINANCIAL EFFECT OF THE PROPOSED ACCESS
23 RATE INCREASE TO YOUR COMPANY?

EXHIBIT

1 A. U.S. West has advised us that the proposed access
2 rate increase will be a 72% increase in our access costs. Since
3 the major portion of our customers calls are routed to our switch
4 over U.S. West access lines, we could not absorb these access
5 rate increases without increasing consumer rates for long
6 distance. Assuming that the predominant carriers would not raise
7 their rates it would effectively eliminate the smaller
8 interexchange carriers like us from the marketplace.

9 Q. WHY WOULD YOU SEE THAT HAPPENING?

10 A. Each of the smaller long distance carriers have a
11 concentration of customers in South Dakota. Larger carriers have
12 a national base of customers. These larger carriers are
13 experiencing lower costs in access. This results from their
14 ability to bundle more traffic on their own networks and or fixed
15 costs circuits. Smaller South Dakota based carriers do not have
16 that opportunity due to South Dakota's smaller customer base and
17 these proposed increased access charges. If the PUC allows a
18 doubling of access rates at this time, it will effectively
19 eliminate the small carriers at a time when it should be
20 fostering competition for both long distance and local service
21 under the spirit intended by the Telecommunications Act of 1996.
22 The Act requires removal of barriers to entry by requiring that
23 no state or local statute or regulation, or other state or local
24 legal requirements, may prohibit or have the effect of
25 prohibiting the ability of any entity to provide any interstate
26 or intrastate telecommunications service. Certainly a 72%

1 increase in access rates provides a barrier.

2 Q. ISN'T THE COMMISSION JUSTIFIED IN APPROVING THESE
3 SWITCHED ACCESS RATES BECAUSE U.S. WEST HAS JUSTIFIED THE RATES
4 USING THE COMMISSION'S OWN FULLY ALLOCATED COST MODEL MANDATED BY
5 THE COMMISSION'S RULES?

6 A. The fully allocated cost model was developed for
7 periods prior to December, 1992. The cost study follows the
8 methods established in South Dakota rules and uses inputs
9 accepted in U.S. West's 1993 cost study in TC 93-108. The inputs
10 to the cost model are updated in this TC 96-107 filing to reflect
11 the financial costs associated with the 1995 test period. See
12 Mr. Wayne G. Culp's direct testimony, page 4, lines 17 through
13 23.

14 Q. WHAT ARE THE AREAS IN THE SD PUC INTRASTATE ACCESS
15 COST MODEL YOU SEE CHANGING AS A RESULT OF THE TELECOMMUNICATIONS
16 ACT OF 1996?

17 A. I see a number of them. I have listed them below
18 by the current SD PUC's schedule and model line number and FCC's
19 Part 36 or Part 69. Further my reasons are stated.

20 Sheet "V" line 272 entitled "Working Loops" allocates
21 FCC part 36 costs to access rates based upon allocation factors
22 set forth on Sheet "G" of the access cost model. It would
23 certainly appear that these allocation factors will be modified
24 when the final regulations to the Act are implemented.

25 Sheet "V" lines 21 through 251 contain more than 350
26 imputes which the final 96 Act regulations could affect both

1 directly and indirectly Part 36 allocable costs.

2 Sheet "G" and Sheet "H" contain over 50 Part 36
3 Physical Allocation Factors and Internal Allocation Factors which
4 affect the current fully allocated cost model. The new FCC
5 regulations will with certainty change a number of these Physical
6 and Internal allocation factors.

7 Sheet "C" line 65 allows a return on working capital to
8 be built into the allocation. It is highly unlikely that this
9 item will be included in any new cost allocation model for access
10 costs.

11 Sheet "C" line 171 entitled TOTAL "BIG THREE EXPENSES"
12 and consisting of Plant specific operating expenses, non-specific
13 operating expenses and total customer operating expenses will
14 most certainly be modified if any unbundled network costs are to
15 be arrived at for competitive pricing purposes.

16 Also, the methodology used to insert costs and figures
17 into U.S. West's ledger will change with the 1996 Act, therefore,
18 until costs are unbundled their placement into a model will not
19 be accurate to establish access rates.

20 Q. WHAT OTHER CHANGES DO YOU SEE?

21 A. The new law mandates the unbundling of network
22 elements. Unbundling by definition means the breaking down into
23 cost segments network costs. In my opinion, this will directly
24 and substantially affect the current Part 36/Part 69 separations
25 process and system of accounts currently used. As stated in Mr.
26 Culp's direct testimony the financial data set forth in the

1 current access cost study is the same financial date USWC used in
2 the old interstate Part 36/Part 69 separations process.

3 Q. DO YOU THINK THE CURRENT PUC ACCESS COST MODEL
4 SHOULD PROPERLY BE CONSIDERED IN THIS PROCEEDING?

5 A. No. The current model in its existing form is not
6 satisfactory in view of the changes set forth in the 1996 Act.
7 In some circumstances such as the setting of wholesale and retail
8 rates for local service, allocable costs may not even be an
9 initial factor. Substantial changes will need to be made in the
10 Part 36/Part 69 separation process. The entire system of
11 accounts will need to be modified to implement the 1996
12 Telecommunications Act. In light of that Act, it is questionable
13 whether the proper legal standard would be followed if this model
14 is used.

15 Q. WHAT DO YOU SUGGEST THIS COMMISSION DO WITH THIS
16 DOCKET?

17 A. The best decision at this time is to make no
18 decision. Not enough information is available regarding the
19 scope of the 1996 Telecommunications Act and the changes which
20 must come in the cost separations process to determine with
21 reasonable certainty what decisions are in the best interest of
22 all parties including the consumer. Also, there has not been
23 sufficient time to allow proper study of U.S. West's figures and
24 their application and reliability under the SD PUC model or the
25 1996 Telecommunications Act.

26 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

1

A. Yes.

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE ESTABLISHMENT) TC 96-107
OF SWITCHED ACCESS RATES FOR US) DIRECT TESTIMONY OF
WEST COMMUNICATIONS, INC.) SUSAN COOK

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is Sue Cook. My business address is 125
3 South Second Street, Aberdeen, South Dakota 57401.

4 Q. WHAT IS YOUR OCCUPATION AND WHO ARE YOU
5 REPRESENTING?

6 A. I am the Assistant Manager for Customer Service for
7 Tel Serv Telecommunications. Tel Serv Telecommunications is a
8 small telecommunications company and a member of
9 Telecommunications Action Group (TAG).

10 Q. PLEASE STATE YOUR BACKGROUND AND EXPERIENCE.

11 A. I have been employed by Tel Serv since February,
12 1993 as Assistant Manager/Customer Services. I work directly
13 with end-user customers.

14 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

15 A. This testimony is presented to the Commission so it
16 can consider whether U.S. West Communications, Inc.'s application
17 to increase its access charge should be granted in any respect.

18 Q. WHAT IS THE EFFECT OF THE PROPOSED INCREASE IN
19 ACCESS CHARGES ON TEL SERV TELECOMMUNICATIONS?

20 A. The proposed change will result in a 124% increase
21 in U.S. West charges For Tel Serv according to information I
22 received from U.S. West. This amount of change cannot be
23 absorbed by our South Dakota based company.

1 Q. HOW HAS TEL SERV BEEN ABLE THUS FAR TO EFFECTIVELY
2 COMPETE IN THE SOUTH DAKOTA MARKET?

3 A. We, like every other reseller of services, depend
4 upon our ability to reduce costs for our customers and provide
5 them with extra value in order to be competitive. The
6 significant increase proposed will cause us to increase our rates
7 and pass this cost on to customers; however, it will make us and
8 other competitors less able to compete for long distance
9 services, which may well be the effect U.S. West is seeking.

10 Q. IS THERE A DIFFERENT IMPACT UPON TEL SERV AND OTHER
11 MEMBERS OF TAG THAN OTHER LONG DISTANCE CARRIERS?

12 A. Yes. The impact of higher access charges on us is
13 much more significant than it is on the large interexchange
14 carriers as we serve only South Dakota and cannot shift or absorb
15 costs like the major carriers.

16 Q. WHAT IS THE MARKET THAT TEL SERV AND OTHER SOUTH
17 DAKOTA BASED SWITCHED RESELLERS HAVE PROVIDED AND HOW WILL THIS
18 PROPOSED RATE INCREASE AFFECT CONSUMERS IN SOUTH DAKOTA?

19 A. Tel Serv and the other TAG members provide
20 traditionally underserved areas of the South Dakota business
21 community with services that allow them to reduce their costs and
22 stay competitive. We have provided a means by which small
23 businesses can attain purchasing power that they could not hope
24 to attain alone. If this were not true, there would be no
25 resellers today. This service allows the small businesses to
26 compete effectively in telecommunications costs with mega

1 conglomerates. We allow our small banks, hardware stores, office
2 supply outlets and other small businesses to obtain long distance
3 phone charges on a similar basis as mass merchandisers.

4 Q. WON'T THIS COMPETITION STILL BE PROVIDED WITH THE
5 RATE INCREASE SOUGHT?

6 A. No. If the rate increase is approved as submitted,
7 it will seriously impact the ability of Tel Serv and other South
8 Dakota based resellers to compete. If we cannot compete, it is
9 difficult to believe that U.S. West or the large interexchange
10 carriers who traditionally have not provided effective rates to
11 the underserved markets, will now seek to do so. The effect will
12 be higher rates for South Dakota small business -- the opposite
13 effect of what the 1996 Telecommunications Act was meant to
14 achieve.

15 Q. DO YOU BELIEVE THAT THE CURRENT COST TO U.S. WEST
16 JUSTIFIES THE RATE INCREASE SOUGHT?

17 A. No. U.S. West has had resellers as competitors
18 since 1983. It is difficult to believe that for the last
19 thirteen (13) years, they have knowingly subsidized their
20 competition; however, this is the argument they are now using to
21 attempt to shift access costs. Because they own the vast
22 majority of the infrastructure, they still have a virtual
23 monopoly over access in South Dakota. This leaves South Dakota
24 based resellers with only two options -- pay the increases or
25 quit providing the services. In either case, competition is
26 suppressed and consumers are negatively affected.

1 Q. DON'T YOU BELIEVE THAT U.S. WEST IS ENTITLED TO A
2 FAIR AND REASONABLE ACCESS RATE?

3 A. We have no objection to U.S. West raising its
4 prices to reflect their true cost of doing business. However,
5 when those rates are unreasonable, and the supplier has a
6 monopoly over the services, regulatory agencies must step in and
7 provide protection. Accordingly, I urge the PUC to use the
8 calculations that U.S. West has provided for the past thirteen
9 (13) years as the basis for access rates and not allow them to
10 change the parameters by which they calculate their costs at this
11 time.

12 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

13 A. Yes.

RECEIVED

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE ESTABLISHMENT) TC 96-107
OF SWITCHED ACCESS RATES FOR US) DIRECT TESTIMONY OF FRED
WEST COMMUNICATIONS, INC.) L. THURMAN

1 Q: PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A: My name is Fred L. Thurman. My business address is
3 110 South Phillips Avenue, Suite 202, Sioux Falls, South Dakota
4 57104-6727.

5 Q: BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

6 A: I am employed by FirstTel, Inc. and am its
7 President. Among other things, my job responsibilities relate to
8 regulatory matters. FirstTel, Inc. is a member of
9 Telecommunications Action Group (TAG). This testimony is
10 presented on behalf of TAG.

11 Q: PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND
12 PROFESSIONAL EXPERIENCE.

13 A: I am a 1973 graduate of the University of South
14 Dakota with a B.S. degree in accounting. I have been a certified
15 public accountant in South Dakota for 23 years. I worked with
16 the accounting firm now known as McGladrey & Pullen, LLP for six
17 years upon my graduation from the University of South Dakota and
18 have been a partner in the accounting firm now known as Thurman,
19 Comes, Foley and Company for the past 17 years. That
20 partnership, as the certified public accountant for Dial Net from
21 its start up in 1984 until 1993, provided general accounting,
22 management advisory, and tax related services to Dial Net. I was

1 the partner in charge of that account.

2 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

3 A. This testimony is presented to the Commission so it
4 can consider whether U.S. West Communications, Inc.'s application
5 to increase its access charge should be granted in any respect.

6 Q. WHAT IS THE FINANCIAL EFFECT OF THE PROPOSED ACCESS
7 RATE INCREASE TO YOUR COMPANY?

8 A. On June 28, 1996 U.S. West advised us that with a
9 proposed increase, our access costs will increase by 106.35%.
10 That percentage increase will reduce our margins and profit
11 directly, since it will be very difficult to pass all, or even a
12 substantial portion of this increase on to our customers.

13 Q. DO YOU PERCEIVE THE IMPACT UPON FIRSTEL TO BE
14 DIFFERENT THAN THE EFFECT UPON LARGER NATIONAL LONG DISTANCE
15 COMPANIES? IF SO, WHY?

16 A. Yes. The increase proposed would generate to U.S.
17 West over \$5 million. The portion attributable to large national
18 long distance companies who only have a small percentage of their
19 revenues and profits coming from South Dakota customers, will be
20 absorbed by that company. The small local long distance
21 companies like FirstTel, which companies make up TAG, currently
22 provide small and medium sized businesses in South Dakota high
23 quality long distance services at a price much less than national
24 companies have been willing to charge. In order to continue to
25 provide these services at a price comparable to what large
26 companies pay to national long distance carriers, who can

1 allocate among numerous states, the switched access costs must
2 not go up.

3 Q. HAVE ACCESS RATE COSTS BEEN CONSIDERED IN OTHER
4 STATES?

5 A. Yes and in fact, in adjacent states like Minnesota
6 and Iowa, access rates appear to be going down not up.

7 Q. HAVE YOU REVIEWED COMPUTATIONS SUBMITTED BY U.S.
8 WEST IN SUPPORT OF THEIR SUGGESTED RATE INCREASE?

9 A. I have not had an opportunity because of the short
10 period of time involved to completely study all of the rate
11 documentation submitted by U.S. West. However, I strongly
12 question the structure of a spreadsheet computer model that can
13 come up with the same result including and excluding the 55 rural
14 exchanges sold by U.S. West.

15 Q. HOW DOES THE SALE OF THOSE EXCHANGES RELATE TO YOUR
16 TESTIMONY?

17 A. In prior proceedings, U.S. West has argued that
18 they ought to be able to sell off their rural exchanges because
19 the cost to operate those exchanges was so high. This would
20 indicate that costs to operate other exchanges in South Dakota
21 were much lower. If that is true, there is no way that the
22 access rate needed to cover the remaining costs would not
23 decrease by more than .1 of a cent. U.S. West has not shown in
24 their figures where the proceeds from the sale of rural exchanges
25 in South Dakota were applied, and how they impact this cost
26 study. Lacking that, the study is unreliable.

1 Q. ARE THERE OTHER CONSIDERATIONS FROM AN ACCOUNTING
2 STANDPOINT THAT APPEAR PERTINENT TO THE ACCESS COSTS COMPUTATION?
3 IF SO, WHAT?

4 A. Yes. A large part of access costs are fixed costs
5 of facilities. Some of these fixed costs associated with the
6 sold rural exchanges will not go away. However, the proceeds
7 from the sale of those exchanges should be applied against those
8 fixed costs. For the data of U.S. West to be reliable, they must
9 show how those proceeds were used or applied. Lacking that
10 information, the PUC should not accept U.S. West's data.

11 Q. FROM YOUR REVIEW, DOESN'T THE METHOD USED BY U.S.
12 WEST PROPERLY COMPUTE THESE COSTS?

13 A. No. Because under the method used, it appears only
14 a pro rata share of costs saved in South Dakota find their way to
15 the South Dakota ledger. All of those cost savings, including
16 depreciation, should be considered in reducing U.S. West's costs
17 and their affect on the access rate increase sought herein.

18 Q. WHO IS RESPONSIBLE TO PROVIDE THAT INFORMATION?

19 A. Under SDCL 49-31-12.4(3), the burden is on U.S.
20 West, who is the proponent of the rate change, to show that it is
21 fair and reasonable. Accordingly, they must satisfy legal
22 requirements that the income and expenses allocable to South
23 Dakota have been properly considered. I do not believe they have
24 satisfied that burden and hence, the rate increase should not be
25 approved.

26 Q. DO YOU HAVE ANY ADDITIONAL CONCERNS RELATING TO

1 U.S. WEST'S TREATMENT OF THE SALE OF THE EXCHANGES?

2 A. Yes. Some questions include:

3 Where did the proceeds from the sale of U.S. West
4 Communication's rural exchanges go? Did it reduce their
5 undepreciated fixed costs in South Dakota so that the consumers
6 of South Dakota do not end up paying for those costs twice?

7 Also, we need to recall that the independent Local
8 Exchange Companies (LEC's) have already raised their access rates
9 to cover the cost of purchasing these U.S. West Communication
10 exchanges. If all of the sale proceeds are not applied against
11 U.S. West Communications costs in South Dakota, the consumers
12 will end up paying for them through LEC access costs and U.S.
13 West Communication access costs.

14 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

15 A. Yes.

RECEIVED

1996

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE ESTABLISHMENT) TC 96-107
OF SWITCHED ACCESS RATES FOR US) DIRECT TESTIMONY OF DENNIS
WEST COMMUNICATIONS, INC.) LAW

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is Dennis Law and my business address is
3 140 N. Phillips Ave., Ste. 404, Sioux Falls, South Dakota 57102.

4 Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

5 A. I am currently the Vice President of TCIC
6 Communications and have served in that capacity since 1990. I am
7 responsible for the daily operations of TCIC Communications, Inc.

8 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.

9 A. I received my Bachelor of Science in Journalism
10 from the South Dakota State Univeristy in 1987, and received my
11 Masters of Science in Administrative Studies from the University
12 of South Dakota in 1996.

13 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

14 A. This testimony is presented to the Commission so it
15 can consider whether U.S. West Communications, Inc.'s application
16 to increase its access charge should be granted in any respect.

17 Q. WHAT IS TCIC?

18 A. TCIC is a small South Dakota long distance company,
19 and a member of Telecommunications Action Group (TAG). TCIC has
20 provided small and medium size businesses in South Dakota with
21 long distance services at very competitive prices.

22 Q. WHAT IS THE FINANCIAL AFFECT OF THE PROPOSED ACCESS
23 RATE INCREASE TO YOUR COMPANY?

1 A. According to the rate impact statement provided to
2 TCIC on June 26, 1996 by U.S. West Communications, our intrastate
3 switched access costs will increase 108.44%. According to the
4 same rate impact study, the intrastate switched access increase
5 to other carriers operating in South Dakota averages 115.50%.

6 Q. WHAT IMPACT WOULD THAT RATE INCREASE HAVE ON TCIC?

7 A. Obviously, it will have a tremendously negative
8 impact on us. A majority of our business and residential
9 customer base resides in South Dakota. Consequently, the impact
10 of this proposed increase will affect TCIC and its customers more
11 than it will impact regional or national carriers who are able to
12 spread their costs over wide areas.

13 Q. HOW DO YOU PERCEIVE SUCH A PROPOSED INCREASE?

14 A. It is clear to me that if any other industry
15 attempted to raise its rates or costs by over 100%, the public
16 outcry would clearly overwhelm the advocacy of such a proposal.
17 Clearly, such an increase cannot be considered fair and
18 reasonable due to its direct impact upon small carriers such as
19 our company, and more particularly upon the consumers who our
20 company presently services and provides with competitive rates
21 and quality service.

22 Q. WHAT IMPACT DOES THE FEDERAL 1996 TELECOMMUNICATIONS
23 ACT HAVE ON THIS PROPOSAL?

24 A. I believe that Act is proper for consideration
25 herein. Section 253 of the Act is intended to remove all
26 barriers to entry in the provision of telecommunication services.

1 Section (a) "preempts any state or local regulations, or other
2 state and local legal requirements, that may prohibit, or have
3 the affect of prohibiting any entity from providing interstate or
4 intrastate telecommunications services." (Conference report at
5 p. 126.) Clearly, the proposed rate increase would significantly
6 impact the ability of small carriers to continue to compete in
7 the intrastate market. Ultimately, the lack of effective
8 competition would cause increased rates to consumers and
9 eliminate the competition for customers in many areas.

10 Q. ARE THERE ADDITIONAL PROVISIONS OF THE FEDERAL ACT
11 WHICH APPEAR APPROPRIATE FOR CONSIDERATION?

12 A. Yes. Section 251(c)(2)(D) provides that in
13 agreements between local exchange carriers and those seeking
14 interconnection, the rates, terms and conditions are to be "just,
15 reasonable and non-discriminatory" with reference to §252.
16 Interconnection pricing should be based on costs without
17 reference to rate of return or other rate based proceedings.
18 §252(d)(1)(A and B). These statutes clearly indicate
19 Congressional intention to provide the FCC with significant
20 authority to foster competition through "reasonable" rates, and
21 that these rates should be applied to carriers such as TCIC. A
22 108% increase would not be a reasonable rate increase.

23 Q. IN LIGHT OF THE FEDERAL ACT, ARE THERE ALTERNATIVES
24 FOR THE COMMISSION TO CONSIDER?

25 A. It would seem that the Commission could
26 appropriately continue the suspension of the switched access

1 service tariff filing for the 180 days authorized, or for such
2 additional period as necessary, as authorized by ARSD
3 20:10:27:02.

4 At this point there is uncertainty about what the outcome on
5 pending litigation will be on the 1996 Act's coverage and its
6 preemption of state law and regulations. A temporary suspension
7 of rate increase rules would be appropriate during the
8 uncertainty of forthcoming implementation rules by the FCC. SDCL
9 49-31-12.4(2). The Commission could also consider SDCL 49-31-58
10 for alternative methods of allocating costs and hence, switched
11 access rates. Also, ARSD 20:10:27:20 provides for a phase-in
12 period for switched access rates. Due to the great financial
13 hardship that the rate increase sought herein would cost the
14 small telephone companies comprising TAG, if a rate increase is
15 granted of any kind, it would be in the public interest that such
16 increase be phased in gradually. Such a period would help
17 preserve competition and allow small telephone companies to
18 remain effective competitors providing quality services to
19 consumers within this state. It would also be consistent with
20 prior testimony and filings by U.S. West. In TC 93-108 William
21 P. Heaston, Senior Attorney for U.S. West, filed a letter dated
22 August 2, 1993 wherein he affirmed that U.S. West believed that a
23 change in switched access rates should be phased-in. He
24 acknowledged that the rate increase would have a significant
25 impact on long distance carriers, and was the single largest cost
26 of doing business for a long distance carrier. He also

1 recognized that a 33 1/3% increase would be very substantial and
2 would have a "big" impact on the long distance industry in South
3 Dakota. Accordingly, he suggested a phase-in would be required
4 for an increase of that amount. The increase proposed herein is
5 significantly more than the increase Mr. Heaston stated should be
6 phased-in.

7 Q. IS THE RATE INCREASE APPROPRIATE?

8 A. No. I do not believe the increase would be
9 appropriate. It would have a significant negative impact upon
10 small South Dakota companies such as TCIC and other members of
11 TAG. At this time U.S. West still has a monopoly in certain
12 areas and therefore has some responsibility under State law and
13 the Federal Act to keep competitors in the market. This type of
14 rate increase is anti-competitive.

15 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

16 A. Yes.

BOYCE, MURPHY, McDOWELL & GREENFIELD, L.L.P.
ATTORNEYS AT LAW

Jeremiah D. Murphy
Russell R. Greenfield
David J. Vickers
Gary J. Pashby
Vance R.C. Goldammer
Thomas J. Welk
Terry N. Pansergus
James E. McMahon
Douglas J. Hajek
Michael S. McKnight
Gregg S. Greenfield
Tamara A. Wilka
Roger A. Sudneck
Carolyn A. Thompson
Lisa Hansen Marie

Norwest Center, Suite 600
101 North Phillips Avenue
Sioux Falls, South Dakota 57104
P.O. Box 5015
Sioux Falls, South Dakota 57117-5015

Telephone 605 336-2424
Facsimile 605 334-0618

FAX Received OCT 04 1996

Of Counsel
John R. McDowell

J.W. Boyce (1884-1915)
John S. Murphy (1924-1966)

October 4, 1996

Mr. William Bullard, Jr.
Executive Director
South Dakota Public Utilities Commission
500 East Capitol
Pierre, SD 57501

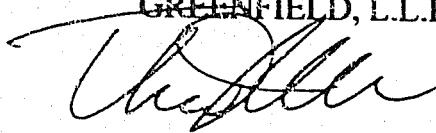
Re: In the Matter of Establishment of Switched Access Rates for U S West Communications, Inc., Docket No. TC96-107
Our File No. 2104-5b

Dear Mr. Bullard:

Please find enclosed for filing original and ten (10) copies of our firm's Notice of Appearance together with the original Certificate of Service.

Sincerely yours,

BOYCE, MURPHY, McDOWELL &
GREENFIELD, L.L.P.



Thoma J. Welk

TJW/vjj
Enclosure

cc: All counsel of record
William P. Heaston
Jon Leiner

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF ESTABLISHMENT OF)
SWITCHED ACCESS RATES FOR U S WEST)
COMMUNICATIONS, INC.)

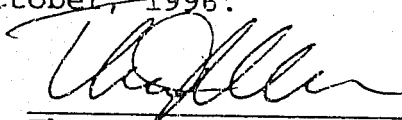
TC96-107

FAX Received OCT 04 1996

TO: AT&T COMMUNICATIONS OF THE MIDWEST, INC., AND JOHN S. LOVALD, ITS ATTORNEY; MCI TELECOMMUNICATIONS CORPORATION AND DAVID A. GERDES, ITS ATTORNEY; DAKOTA COOPERATIVE TELECOMMUNICATIONS AND ROBERT G. MARMET, ITS ATTORNEY; TELECOMMUNICATIONS ACTION GROUPS AND ROBERT C. RITER, JR., ITS ATTORNEY, SPRINT AND DONALD A. LOW, ITS ATTORNEY, AND KAREN E. CREMER, STAFF COUNSEL FOR THE SOUTH DAKOTA PUBLIC UTILITIES COMMISSION.

Notice is hereby given that the undersigned now appear as attorneys of record for U S West Communications, Inc., in the above-captioned matter.

Dated this 4th day of October, 1996.



Thomas J. Welk
Tamara A. Wilka
BOYCE, MURPHY, MCDOWELL &
GREENFIELD, L.L.P.
P.O. Box 5015
Sioux Falls, SD 57117-5015
(605) 336-2424

William P. Heaston
Chief Counsel
U S West Communications, Inc.
1801 California Street, Suite 5100
Denver, CO. 80202

CERTIFICATE OF SERVICE

FAX Received OCT 04 1996

I, Thomas J. Welk, do hereby certify that I am a member of the law firm of Boyce, Murphy, McDowell & Greenfield, and on the day of October, 1996, at the hour of 11:00 A.m. a true and correct copy of the Notice of Appearance was sent to the following by facisimile to the following numbers:

John S. Lovald
Olinger, Lovald, Robbennolt & McCahren
P.O. Box 66
Pierre, SD 57501-0066
605-224-8269

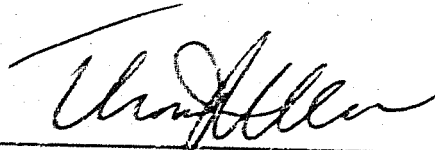
Karen E. Cremer
S.D. Public Utilities Commission
500 E. Capitol
Pierre, SD 57501
605-773-3809

David A. Gerdes
May, Adam, Gerdes & Thompson
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Donald A. Low
8140 Ward Parkway - 5E
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Marnet and Armstrong
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Centerville, SD 57014
+605-263-3995


Thomas J. Welk

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE)
ESTABLISHMENT OF SWITCHED)
ACCESS RATES FOR U S WEST)
COMMUNICATIONS, INC.)

DOCKET NUMBER TC96-107


WITHDRAWAL

* * * * *

SOUTH DAKOTA INDEPENDENT TELEPHONE COALITION, INC. (SDITC)

hereby withdraws from its status as an intervenor in the above-entitled docket.

DATED this eighth day of October, 1996.


Brian B. Meyer
Attorney for SDITC

CERTIFICATE OF SERVICE

The undersigned hereby certifies that he served a copy of the foregoing WITHDRAWAL upon the persons herein next designated, on the date below shown, by depositing a copy thereof in the United States mail at Onida, South Dakota, postage prepaid, in an envelope addressed to each said addressee, to-wit:

Tom Welk
U S WEST COMMUNICATIONS, INC.
125 South Dakota Avenue, 8th Floor
Sioux Falls, South Dakota 57194

William Heaston, Chief Counsel
US WEST COMMUNICATIONS, INC.
1801 California St., Suite 5100
Denver, Colorado 80202

Donald A. Low
SPRINT COMMUNICATIONS, INC.
8140 Ward Parkway
Kansas City, Missouri 64114


David A. Gerdes
MAY, ADAM, GERDES & THOMPSON
P. O. Box 160
Pierre, South Dakota 57501

John S. Lovald
OLINGER, LOVALD, ROBBENNOLT & McCAHREN
P. O. Box 66
Pierre, South Dakota 57501

Robert C. Riter, Jr.
RITER, MAYER, HOFER, WATTIER & BROWN
P. O. Box 280
Pierre, South Dakota 57501

Robert G. Marmet
Attorney at Law
P. O. Box 66
Irene, South Dakota 57037

Dated this eighth day of October, 1996.



Brian B. Meyer
MEYER & ROGERS
P. O. Box 89
Omda, South Dakota 57564-0089

Meyer & Rogers

ATTORNEYS AT LAW

P.O. BOX 89 • ONIDA, SOUTH DAKOTA 57564 • TELEPHONE 605/258-2654

BRIAN B. MEYER
DARLA POLLMAN ROGERS

RECEIVED

October 8, 1996

William T. Bullard, Executive Director
PUBLIC UTILITIES COMMISSION
State Capitol Building
500 East Capitol Avenue
Pierre, South Dakota 57501

Re: Docket Number TC96-107

Dear Mr. Bullard:

Please find enclosed herein original and ten copies of the Withdrawal of Express Communications, Inc. from the above-named docket.

By copy of this letter, I am also mailing the Withdrawal to each party named on the Certificate of Service attached to the same.

Very truly yours,

Brian B. Meyer
Brian B. Meyer
Attorney at Law

BBM/ph

Enclosures

1175

Meyer & Rogers

ATTORNEYS AT LAW

P.O. BOX 89 • ONIDA, SOUTH DAKOTA 57564 • TELEPHONE 605/258-2654

BRIAN B. MEYER
DARLA POLLMAN ROGERS

RECEIVED

October 8, 1996

William T. Bullard, Executive Director
PUBLIC UTILITIES COMMISSION
State Capitol Building
500 East Capitol Avenue
Pierre, South Dakota 57501

Re: Docket Number TC96-107

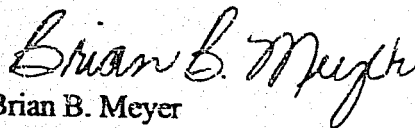
Dear Mr. Bullard:

I have noticed that the document entitled "Withdrawal" fax'ed to you earlier this afternoon references the wrong party. Express Communications, Inc., not SDITC, is the party that was granted intervention in Docket TC96-107.

To correct this inadvertent error, you will find attached an "Amended Withdrawal" filed on behalf of Express.

I apologize for this error and any inconvenience it may have caused.

Very truly yours,



Brian B. Meyer
Attorney at Law

BBM/ph

RECEIVED

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE)
ESTABLISHMENT OF SWITCHED)
ACCESS RATES FOR U S WEST)
COMMUNICATIONS, INC.)

DOCKET NUMBER TC96-107

AMENDED WITHDRAWAL

EXPRESS COMMUNICATIONS, INC. (EXPRESS) hereby withdraws from its
status as an intervenor in the above-entitled docket.

DATED this eighth day of October, 1996.



Brian B. Meyer
Attorney for EXPRESS

CERTIFICATE OF SERVICE

The undersigned hereby certifies that he served a copy of the foregoing AMENDED
WITHDRAWAL upon the persons herein next designated, on the date below shown, by depositing
a copy thereof in the United States mail at Onida, South Dakota, postage prepaid, in an envelope
addressed to each said addressee, to-wit:

Tom Welk
U S WEST COMMUNICATIONS, INC.
125 South Dakota Avenue, 8th Floor
Sioux Falls, South Dakota 57194

William Heaston, Chief Counsel
US WEST COMMUNICATIONS, INC.
1801 California St., Suite 5100
Denver, Colorado 80202

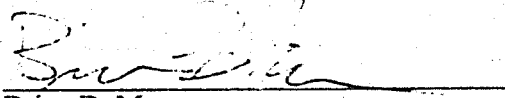
Donald A. Low
SPRINT COMMUNICATIONS, INC.
8140 Ward Parkway
Kansas City, Missouri 64114

John S. Lovald
OLINGER, LOVALD, ROBBENNOLT & McCAHREN
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Robert C. Riter, Jr.
RITER, MAYER, HOFER, WATTIER & BROWN
P. O. Box 280
Pierre, South Dakota 57501

Robert G. Marmet
Attorney at Law
P. O. Box 66
Irene, South Dakota 57037

Dated this eighth day of October, 1996.



Brian B. Meyer
MEYER & ROGERS
P. O. Box 89
Onida, South Dakota 57564-0089

U S WEST, Inc.
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William P. Heaston
Senior Attorney

USWEST

VIA FACSIMILE AND OVER-NIGHT DELIVERY

October 11, 1996

RECEIVED

OCT 15 1996

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Mr. William Bullard, Jr.
Executive Director
South Dakota Public Utilities Commission
State of South Dakota
500 East Capitol Avenue
Pierre, South Dakota 57501

Re: Docket No TC96-107

Dear Mr. Bullard:

Enclosed for filing in the above captioned docket is an original and nine (9) copies of U S WEST Communications, Inc.'s Late Filed Exhibit 25.

Please stamp and return the extra copy in order to acknowledge receipt. A postage-paid, addressed envelope is enclosed.

If you have any questions, please do not hesitate to contact me. Thank you.

Yours truly,



William P. Heaston

Enclosures

cc: Parties of Record

WPH:mob

EXHIBIT

479

25

State of North Dakota

Issued: July 31, 1993
1995

Effective: August 1,

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AT&T Communications
of the Midwest, Inc.

MESSAGE
TELECOMMUNICATIONS
SERVICE TARIFF

Case No. MV-753-7nd-75m-
Preface
Original Page 1

State of North Dakota

Issued: December 7, 1992

Effective: January 6, 1993

MESSAGE TELECOMMUNICATIONS SERVICE

Explanation of Symbols

- (C) - to signify changed regulation
- (D) - to signify discontinued regulation
- (N) - to signify new regulation
- (T) - to signify a change in text but no change in regulation
- (R) - Reduced Rate
- (I) - Increased Rate

References to Other Tariffs

Wherever reference is made in this tariff to other tariffs of this Company or to tariffs of Other Participating Carriers, the reference is to the tariffs in force as of the effective date of this tariff, and to amendments thereto and successive issues thereof.

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AT&T Communications
of the Midwest, Inc.

MESSAGE
TELECOMMUNICATIONS
SERVICE TARIFF

Case No. PU-453-7a-15a-
Section 1
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State of North Dakota

Issued: December 7, 1992

Effective: January 6, 1993

APPLICATION OF TARIFF

- 1.1 This Message Telecommunications Service Tariff applies to service furnished by the AT&T Communications of the Midwest, Inc., hereinafter referred to as the Company, or furnished jointly by the Company and its Connecting Companies, between points within the state of North Dakota.

This tariff contains regulations and definitions governing the furnishing of North Dakota Intrastate Message Telecommunications Service. Current rates for the service are found on the separately attached Price Schedule which is on file with the North Dakota Public Service Commission.

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DEC - 7 1992

AT&T Communications
of the Midwest, Inc.

MESSAGE
TELECOMMUNICATIONS
SERVICE TARIFF

Case 100. MU-455-7a-10a-
Section 2
Original Page 1

State of North Dakota

Issued: December 7, 1992

Effective: January 6, 1993

REGULATIONS

2.1 UNDERTAKING OF THE COMPANY

2.1.1 Scope

- A. Message Telecommunications Service (MTS) is that of furnishing facilities between local service areas in accordance with the regulations and system of charges specified in this tariff.
- B. The Company does not undertake to transmit messages but furnishes the use of its facilities to its customers for communications.

2.1.2 Priority of Services

Subject to compliance with Commission or Government rules or regulations, where a shortage of facilities exists at any time either for temporary or protracted periods, the establishment of MTS shall take precedence over all other intercity services.

2.1.3 Limitations on Duration of Connections

The Company reserves the right to limit the length of conversation when necessary in times of emergency resulting in a shortage of facilities.

2.1.4 Liability

- A. In view of the fact that the customer has exclusive control of the communications over the facilities furnished by the Company, and of the other uses for which facilities may be furnished by the Company, and because of unavailability of errors incident to the services and to the use of such facilities of the Company, the services and facilities furnished by the Company are subject to the terms, conditions and limitations specified in B, C and D following.

State of North Dakota

Issued: August 2, 1993

Effective: September 2, 1993

REGULATIONS

2.1 UNDERTAKING OF THE COMPANY (Cont'd)

2.1.4 Liability (Cont'd)

- B. The Company's liability, if any, for its willful misconduct is not limited by this tariff. With respect to any other claim or suit, by a customer or by any others, for damages associated with any aspect of the provision of service (including the failure to reach a called station), the Company's liability, if any, shall not exceed an amount equal to the initial period charge applicable for such a message to the called station. This liability shall be in addition to any billing adjustments that may otherwise be appropriate.
- C. The customer indemnifies and saves the Company harmless against claims for libel, slander or infringement of copyright arising from the material transmitted over its facilities; against claims for infringement of patents arising from combining with, or using in connection with, facilities of the Company, apparatus and systems of the customer; and against all other claims arising out of any act or omission of the customer in connection with facilities provided by the Company.
- D. No carrier participating in this service shall be liable for any act or omission of any other carrier also participating in the service.
- E. The Company's failure to provide or maintain service under this tariff shall be excused by labor difficulties, governmental orders, civil commotions, natural catastrophes and other circumstances beyond the Company's reasonable control.

The Company shall not be liable for errors in transmitting, translating, receiving or delivering messages by telephone, Text Telephone (TY), or any other instrumentality over the facilities of the Company, connecting utilities or through a Telecommunications Relay Service (TRS) center.

2.2 USE

2.2.1 Use of Service

This service is provided for use by the customer and may be used by others, when so authorized by the customer, providing that all such usage shall be subject to the provisions of this tariff.

AT&T Communications
of the Midwest, Inc.

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TELECOMMUNICATIONS
SERVICE TARIFF

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Issued: December 7, 1992

Effective: January 6, 1993

REGULATIONS

2.2 USE (Cont'd)

2.2.2 Abuse and Fraudulent Use

The service is furnished subject to the condition that there will be no abuse or fraudulent use of the service. Abuse or fraudulent use of service includes:

- A. The use of service or facilities of the Company to transmit a message or to locate a person or otherwise to give or obtain information, without payment of the charge applicable for services;
- B. The obtaining, or attempting to obtain, or assisting another to obtain or to attempt to obtain MTS by rearranging, tampering with or making connection with any facilities of the Company, or by any trick, scheme, false representation or false credit device or by or through any other fraudulent means or device whatsoever, with intent to avoid the payment, in whole or in part, of the regular charge for such service;
- C. The use of service or facilities of the Company for a call or calls, anonymous or otherwise, if in a manner reasonably to be expected to frighten, abuse, torment or harass another;
- D. The use of profane or obscene language;
- E. The use of the service in such a manner as to interfere unreasonably with the use of the service by one or more other customers.

2.2.3 Unlawful Purposes

The service is furnished subject to the condition it will not be used for an unlawful purpose. Service will not be furnished if any law enforcement agency, acting within its jurisdiction, advises that such service is being used or will be used in violation of law. If the Company receives other evidence giving reasonable cause to believe that such service is being or will be so used, it will either discontinue or deny the service or refer the matter to the appropriate law enforcement agency.

AT&T Communications
of the Midwest, Inc.

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TELECOMMUNICATIONS
SERVICE TARIFF

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Effective: January 6, 1993

REGULATIONS

2.3 OBLIGATIONS OF THE CUSTOMER

2.3.1 The calling party shall establish his identity in the course of any communication as often as may be necessary.

2.3.2 The calling party shall be solely responsible for establishing the identity of the person or persons with whom connection is made at the called station or stations.

2.4 ADJUSTMENTS FOR MUNICIPALITY PAYMENTS

When any municipality, other political subdivision or local agency of government collects from the Company a gross receipts tax, occupation tax, license tax, permit fee or franchise fee, such taxes and fees shall, insofar as practicable, be billed prorata to the exchange customers receiving service within the territorial limits of such municipality, other political subdivision or local agency of government.

2.5 SERVICE THROUGH MISCELLANEOUS COMMON CARRIERS (AS DEFINED IN PART 21 OF THE F.C.C. RULES)

Service is available to and from customers of Miscellaneous Common Carrier with which arrangements have been made for the interexchange of telephone traffic and is furnished through interconnecting equipment and facilities provided by the Company.

The rates between the applicable wire telephone rate center and the rate center of the Miscellaneous Common Carrier are the rates set forth in this tariff for two-point service. The rate center of the Miscellaneous Common Carrier is the wire telephone rate center of the Company serving exchange. An additional charge which the Miscellaneous Common Carrier bills to and collects from its customer is applicable to the remainder of the haul as set forth in the Miscellaneous Common Carrier's tariff on file with the North Dakota Public Service Commission.

AT&T Communications
of the Midwest, Inc.

CUSTOM NETWORK
SERVICE TARIFF

PU-453 73 585
Section 2
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State of North Dakota

Issued: August 2, 1993

Effective: September 2, 1993

2.3.1. Liability (continued)

F. No license under patents (other than the limited license to use) is granted by the Company or shall be implied or arise by estoppel, with respect to any service offered under this tariff. The Company will defend the Customer and User against claims of patent infringement arising solely from the use by the Customer or User of CUSTOM NETWORK SERVICE offered under this tariff and will indemnify such Customer or User for any damages awarded based solely on such claims.

G. The Company's failure to provide or maintain service under this tariff shall be excused by Labor difficulties, governmental orders, civil commotions, acts of God, and other circumstances beyond the Company's reasonable control.

H. The Company shall not be liable for errors in transmitting, translating, receiving or delivering messages by telephone, Text Telephone (TT), or any other instrumentality over the facilities of the Company, connecting utilities or through a Telecommunications Relay Service (TRS) center.

(H)

(H)

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of the Midwest, Inc.

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SERVICE TARIFF

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State of North Dakota

Issued: December 7, 1992

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REGULATIONS

2.6 REFUSAL OF SERVICE

The Company or the authorized agent reserves the right to refuse an application for service made by a present or former customer who is indebted to the Company or the authorized agent on the customer's behalf for service previously furnished, until the indebtedness is satisfied.

2.7 TERMINATION OF SERVICE

The Company or authorized agent will restrict access to the network when an account is delinquent and the Company's or the authorized agent's attempts to obtain payment have failed.

2.8 RESTORAL OF SERVICE

If service is interrupted due to nonpayment of charges due the Company or authorized agent on the Company's behalf, service will be reestablished only upon payment of all charges due the Company or authorized agent which may include a restoration service charge.

Refer to the Price Schedule for rates.

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Effective: January 6, 1993

CONNECTIONS

3.1 GENERAL

When customer premises equipment is connected to Message Telecommunications Service it must comply with the F.C.C.'s Registration Program. If Grandfathered customer premises equipment, test equipment or communications systems are connected, the Minimum Protection Criteria specified in this tariff must be met.

MTS is not represented as adapted for connection to other services or communications systems. MTS is designed, operated and maintained to provide satisfactory transmission only between a calling and a called station(s) equipped with suitable customer premises equipment.

The Company is responsible for the quality of transmission for MTS from demarcation point to demarcation point. The Company is not responsible for the quality of transmission on the customer's side of the demarcation points at a premises.

3.2 RESPONSIBILITIES OF THE CUSTOMER

When customer premises equipment or a communications system is connected to MTS, the customer assumes responsibility for the connection as follows:

3.2.1 Interference and Hazard

The operating characteristics of customer premises equipment or communications systems connected to MTS must not interfere with, or impair, any of the services offered by this Company. In addition, they must not endanger the safety of Company employees or the public, damage or interfere with the proper functioning of Company equipment or otherwise injure the public in its use of MTS.

The Company will take immediate action to protect its services or interests if this regulation is violated.

3.2.2 Changes to MTS

The Company is not obligated to alter or modify MTS because of additions or changes to customer premises equipment or a communications system provided by the customer or others.

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of the Midwest, Inc.

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CONNECTIONS

3.2 RESPONSIBILITIES OF THE CUSTOMER (Cont'd)

3.2.3 Testing and Maintenance

If a trouble report occurs on an assembly, the customer must determine whether the fault is in 1) the connected premises equipment or communications system or 2) MTS. The Company will test and maintain only the services it provides.

The testing of MTS will usually be made from a point-of-presence. A repair person will be dispatched to a customer's premises only when this Company deems it necessary to complete its tests or when a specific request for a dispatch is received. When a repair person is dispatched, a Maintenance of Service Charge will apply if testing discloses that the MTS is functioning correctly.

3.3 RESPONSIBILITIES OF THE COMPANY

3.3.1 General

In addition to furnishing and maintaining its service components for MTS, the Company will provide technical information pertaining to MTS interface parameters as an aid to the customer in selecting the appropriate interface.

3.3.2 Changes in Minimum Protection Criteria, Operations or Procedures

The Company is not responsible to any party if a change in its MTS components, Minimum Protection Criteria, operations or procedures, which are consistent with the Registration Program 1) affects any facilities, customer premises equipment or communications systems provided by others in any way or 2) requires their modification in order to be used with MTS. However, if such changes can be reasonably expected to materially affect the operating or transmission characteristics of the MTS or render any customer premises equipment or communications system incompatible with MTS, the Company will make a reasonable effort to notify the customer in writing of the proposed change. A reasonable interval will be allowed before the change is implemented to enable the customer to maintain compatibility of its customer premises equipment or communications system with MTS.

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CONNECTIONS

3.4 CONNECTION TO SERVICE PROVIDED BY A LOCAL EXCHANGE CARRIER

MTS may be connected to services provided by a Local Exchange Carrier. The connections are subject to the regulations in this tariff and the appropriate tariff(s) of the Local Exchange Carrier.

3.5 CONNECTION OF A COMMUNICATIONS SYSTEM OR MTS EQUIVALENT SERVICE

When a communications system or MTS-equivalent service is connected to the Company's MTS, the customer must make all arrangements concerning the connected systems or service with its provider. The connection does not constitute a joint undertaking between this Company and the provider of the system or service. The system or service must be operated and maintained so it will work satisfactorily with MTS. Connections to MTS will be made in accordance with the following:

3.5.1 Answer Supervision

When MTS is connected to a communications system which is also connected to switching or terminal equipment, such equipment shall provide the necessary answer supervision so that chargeable time begins upon delivery of the MTS call to the equipment and ends upon termination of the call by the calling party.

3.5.2 Minimum Protection Criteria

The connection at the MTS demarcation point must be made so that it continually complies with the specified Minimum Protection Criteria (see Minimum Protection Criteria).

3.5.3 Communications System Failures

When a communications system fails and the connection to MTS is not through switching equipment, the communications system must be arranged to promptly return the MTS to an idle (on-hook) state. In addition, the customer must promptly notify the Company when the communications system fails.

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CONNECTIONS

3.5 CONNECTION OF A COMMUNICATIONS SYSTEM OR MTS EQUIVALENT SERVICE (Cont'd)

3.5.4 Use of Satellite Facilities

If a communications system uses satellite facilities (directly or indirectly) and is connected to MTS, there may be two or more satellite links involved in the combined connection. In such cases, the Company will not be responsible for any deterioration in the quality of the through transmission of signals on such a connection. The Company will continue to furnish MTS using the service components that it considers to be appropriate. Credit allowance for impaired transmission resulting from such connection will not be granted.

3.6 MINIMUM PROTECTION CRITERIA

3.6.1 General

Minimum Protection Criteria have been specified so that Company personnel, equipment and services will be protected from the harmful effects of signal power overload, hazardous voltages and longitudinal imbalance. Minimum Protection Criteria applies to the direct electrical, acoustic or inductive connections of customer premises equipment and communications systems to MTS.

3.6.2 All Connections

Customer premises equipment and communications systems which are connected to MTS on a direct electrical basis or an acoustic or inductive basis, must comply with the following:

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CONNECTIONS

3.6 MINIMUM PROTECTION CRITERIA (Cont'd)

3.6.2 All Connections (Cont'd)

- A. To protect other Company services, it is necessary that the signal which is applied at the demarcation point meets the following limits:

1. Metallic Voltage

a. 4 kHz to 270 kHz

Center Frequency (f) of 8 kHz Band	Max. Voltage in All 8 kHz Bands	Terminating Impedance
8 kHz to 12 kHz	- (6.4 + 12.6 log f) dBV*	300 ohms
12 kHz to 90 kHz	(23 - 40 log f) dBV	135 ohms
90 kHz to 266 kHz	- 55 dBV	135 ohms

- b. The root-mean-square (RMS) value of the metallic voltage components in the frequency range of 270 kHz to 6 MHz shall, averaged over 2 microseconds, not exceed -15 dBV. This limitation applies with a metallic termination having an impedance of 135 ohms.

2. Longitudinal Voltage

a. 4 kHz to 270 kHz

Center Frequency (f) of 8 kHz Band	Max. Voltage in All 8 kHz Bands	Terminating Impedance
8 kHz to 12 kHz	- (18.4 + 20 log f) dBV*	500 ohms
12 kHz to 42 kHz	(3 - 40 log f) dBV	90 ohms
42 kHz to 266 kHz	- 62 dBV	90 ohms

*dBV = 20 log₁₀ voltage in volts

- b. The root-mean-square (RMS) value of the longitudinal voltage components in the frequency range of 270 kHz to 6 MHz shall, averaged over 2 microseconds, not exceed -30 dBV. This limitation applies with a longitudinal termination having an impedance of 90 ohms.

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CONNECTIONS

3.6 MINIMUM PROTECTION CRITERIA (Cont'd)

3.6.2 All Connections (Cont'd)

- B. To prevent the interruption or disconnection of an MTS call, it is necessary that the signal applied at the demarcation point be limited. Specifically, the signal at the demarcation point shall at no time have energy concentrated solely in the 2450 to 2750 Hz band. If there is signal power at the demarcation point in the 2450 to 2750 Hz band, it must not exceed the power present at the same time in the 800 to 2450 Hz band.

3.6.3 For Direct Electrical Connections

In addition to the regulations in 3.6.2 preceding, customer premises equipment and communications systems which are connected to MTS on a direct electrical basis must comply with the following: to prevent excessive noise and crosstalk, it is necessary that the power of the signal presented at the point-of-presence not exceed 12dB below one milliwatt when measured over any three second interval. To insure that this limit is not exceeded, the power of the signal which may be applied by the premises equipment or communications systems to the demarcation point will be specified for each customer location. In no case shall the power exceed one milliwatt.

3.6.4 Acoustic or Inductive Connections

In addition to the regulations in 3.6.2 preceding, customer premises equipment and communications systems which are connected to MTS on an acoustic or inductive basis must comply with the following: to prevent excessive noise and crosstalk, it is necessary that the power of the signal which is applied by the equipment to the demarcation point located on the customer's premises be limited so that the signal power does not exceed 9dB below one milliwatt when averaged over any three second interval. However, to permit each customer, independent of distance from the point-of-presence, to supply signal power which at the point-of-presence approximates 12dB below one milliwatt when averaged over any three second interval, the Company, at the customer's request, will specify for each customer location, the signal power at the demarcation point, which shall in no case exceed one milliwatt.

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CONNECTIONS

3.7 RECORDING OF TWO-WAY TELEPHONE CONVERSATIONS

The F.C.C. has adopted regulations which apply to the recording of two-way telephone conversations on MTS. MTS is not represented as adapted to the recording of such conversations. However, customer-provided voice recording equipment may be connected to MTS. Its connection is subject to the Registration Program and to the following:

3.7.1 Recording Requirements

The voice recording equipment must be arranged so that it can be connected or disconnected (or switched on or off at the will of the customer). In addition, one of the following conditions must apply:

- A. All parties to the telephone conversation must give their prior consent to the recording of the conversation, and the prior consent must be obtained in writing or be part of and obtained at the start of, the recording, or
- B. All parties to the telephone conversation must be verbally notified at the beginning of the conversation and the notification must be recorded as part of the call, by the recording party, or
- C. A distinctive recorder tone, repeated at intervals of approximately fifteen seconds, is required to alert all parties when recording equipment is in use. The distinctive recording tone can be provided as part of 1) the recording equipment, or 2) registered or grandfathered protective circuitry.

3.7.2 Exceptions to the Requirement for the Recorder Tone

The distinctive recorder tone is not required:

- A. When used by an F.C.C. licensed broadcast station customer for the recording of two-way telephone conversations solely for broadcast over the air. (Filed in compliance with an Order of the F.C.C. adopted December 13, 1972.)

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CONNECTIONS

3.7 RECORDING OF TWO-WAY TELEPHONE CONVERSATIONS (Cont'd)

3.7.2 Exceptions to the Requirement for the Recorder Tone (Cont'd)

- B. When used by the United States Secret Service of the Department of Treasury for recording two-way telephone conversations which concern the safety and security of the person of the President of the United States, members of his immediate family or the White House and its grounds. (Filed in compliance with an Order of the F.C.C. adopted January 22, 1975.)
- C. When used by a broadcast network or by a cooperative programming effort, composed exclusively of F.C.C. broadcast licensees, to record two-way telephone conversations solely for broadcast over the air by a licensed broadcast station. (Filed in compliance with an Order of the F.C.C. adopted December 18, 1975.)
- D. When used for recording at United States Department of Defense Command Centers of emergency communications transmitted over the Department of Defense's private line system when connected to MTS. (Filed in compliance with an Order of the F.C.C. adopted May 19, 1976.)
- E. When used by the United States Nuclear Regulatory Commission of the Department of Energy with respect to the telephone systems located at its Operations Center for the recording of two-way telephone conversations. (Filed in compliance with an Order of the F.C.C. adopted January 29, 1981.)

3.7.3 Acoustic or Inductive Connections

Customer-provided voice recording equipment may not be connected to MTS for the recording of two-way telephone conversations by means of an acoustic or inductive connection, unless its use qualifies under the regulations, "Exceptions to the Requirement for the Recorder Tone".

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Issued: December 7, 1992

Effective: January 6, 1993

SERVICE CLASSIFICATIONS AND RATES

4.1 TWO-POINT MESSAGE TELECOMMUNICATIONS SERVICE

4.1.1 Application

Service between two points within the state of North Dakota handled exclusively by the Company or jointly by the Company and its associated or connecting companies, to the extent that this tariff is concurred in by such other companies, is furnished as set forth in 4.1.2 and 4.1.3 following.

Service among three or more points (conference service) is furnished as set forth in 4.3 following.

4.1.2 Mileage Measurement

Rates are based on the airline distance between the measuring point or rate center for the calling point and the measuring point or rate center for the called point. In general, each city, town or locality is designated as a rate center and those localities not so designated are assigned a nearby rate center.

For the purpose of determining airline mileages, vertical and horizontal grid lines have been established across the state of North Dakota. The spacing between adjacent vertical grid lines and between adjacent horizontal grid lines represents a distance of one coordinate unit. This unit is the square root of 0.1 (approximately 0.3), expressed in statute miles. A vertical (V) and a horizontal (H) coordinate is computed for each rate center from its latitude and longitude location by use of appropriate map-projection equations. A list of V and H Coordinates for each rate center is found in AT&T's Tariff F.C.C. No. 10. A pair of V-H coordinates locates a rate center, for determining airline mileages, at a particular intersection of an established vertical grid line with an established horizontal grid line. The distance between any two rate centers is the airline mileage computed as explained in A. through F. following.

Airline mileages for Message Telecommunications Service are computed as follows:

A. Obtain the "V" and "H" coordinates for each rate center.

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SERVICE CLASSIFICATIONS AND RATES

4.1 TWO-POINT MESSAGE TELECOMMUNICATIONS SERVICE (Cont'd)

4.1.2 Mileage Measurement (Cont'd)

- B. Obtain the difference between the "Y" coordinates of the two rate centers. Obtain the difference between the "H" coordinates.

Note: The difference is always obtained by subtracting the smaller coordinate from the larger coordinate.

- C. Divide each of the differences obtained in "N" by three, rounding each quotient to the nearest integer.
- D. Square the two integers and add the two squares. If the sum of the squares is greater than 1777, divide the integers obtained in C. by three and repeat Step D. Repeat this process until the sum of the squares obtained in D. is less than 1778.
- E. The number of successive divisions by three in Steps C. and D. determines the value of "N". Multiply the final sum of the two squares obtained in Step D. by the multiplier specified in the following table for this value of "N" preceding:

<u>N</u>	<u>Multiplier</u>	<u>Minimum Rate Mileage</u>
1	0.9	-
2	8.1	41
3	72.9	121
4	656.1	361

- F. Obtain square root of product in E. and, with any resulting fraction, round up to next higher integer. This is the message rate mileage except that when the mileage so obtained is less than the minimum rate mileage shown in E. preceding, the minimum rate mileage corresponding to the "N" value is applicable.

Example:

The message rate distance is required between Bismarck, North Dakota and Valley City, North Dakota.

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SERVICE CLASSIFICATIONS AND RATES

4.1 TWO-POINT MESSAGE TELECOMMUNICATIONS SERVICE (Cont'd)

4.1.2 Mileage Measurement (Cont'd)

F. (Cont'd)

- | | V | M |
|--|---------------------------|-------------|
| (a) Bismarck | 5840 | 5736 |
| Valley City | <u>5672</u> | <u>5354</u> |
| (b) Difference | 168 | 382 |
| (c) Dividing each difference by three and rounding to nearest integer - 56 and 127 | | |
| (d) Squaring integers and adding, | 56 X 56 = 3,136 | |
| | 127 X 127 = <u>16,129</u> | |
| Sum of squared integers | | 19,265 |
| Sum of squared integers is greater than 1777, so divide integers in (c) by three and repeat (d) | | |
| (e) Dividing integers in (c) by three and rounding - 19 and 42 | | |
| (f) Squaring integers and adding, | 19 X 19 = 361 | |
| | 42 X 42 = <u>1,764</u> | |
| Sum of squared integers | | 2,125 |
| Sum of squared integers is less than 1777, so divide integers on (e) by three and repeat (f); therefore "N" = 3 | | |
| (g) Dividing integers in (g) by three and rounding - 6 and 14 | | |
| (h) Squaring integers and adding, | 6 X 6 = 36 | |
| | 14 X 14 = <u>196</u> | |
| Sum of squared integers | | 232 |
| Sum of squared integers is less than 1778 and was obtained after three successive divisions by three; therefore, "N" = 3 | | |

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Issued: April 14, 1994

Effective: April 15, 1994

SERVICE CLASSIFICATIONS AND RATES

4.1 TWO-POINT MESSAGE TELECOMMUNICATIONS SERVICE (Cont'd)

4.1.2 Mileage Measurement (Cont'd)

F. (Cont'd)

(1) Multiply final sum of squared integers	232
by factors 72.9 (corresponding to "N" = 3)	<u>72.9</u>
	16,912.8

(2) Square root of 16,912.8 = 130 and a fraction, which is rounded up to 131 miles (fractional miles being considered full miles). The 131 miles is larger than the minimum of 121 miles applicable when "N" = 3, so the message rate mileage is 131 miles.

4.1.3 Data and Charge Application

A. Classes of Service

Six classes of MTS are offered; namely, Dial Station, Customer Dialed Calling Card Station, Operator Dialed Calling Card Station, Operator Station, Person-to-Person and Real Time Rated.

1. Dial Station

Dial Station Service is that service where the person originating the call from other than a public or semipublic coin telephone dials the number desired and the call is completed without the assistance of a Company operator, and the call is not billed to a number other than the originating number, except the following which are also considered Dial Station Service:

- When the calling party cannot complete the call due to trouble on the telecommunications network, and chooses to redial the call. The customer will be informed that if the operator completes the call, the customer will be charged Operator Station rates as shown in the Price Schedule. (C)
- When a customer reestablishes a Dial Station call that has been involuntarily interrupted after the station has been reached. Customers may take credit for the interrupted call. If an operator is requested by the customer to complete the call, Operator Station rates will apply as shown in the Price Schedule. (C)

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Issued: December 14, 1994

Effective: December 15, 1994

SERVICE CLASSIFICATIONS AND RATES

4.1 TWO-POINT MESSAGE TELECOMMUNICATIONS SERVICE (Cont'd)

4.1.3 Rate and Charge Application (Cont'd)

A. Classes of Service (Cont'd)

1. Dial Station (Cont'd)

- When an operator places a call for a calling party who identifies himself as being handicapped and unable to dial the call because of his handicap;

2. Customer Dialed Calling Card Station

Customer Dialed Calling Card Station Service is that service where the person originating the call performs one of the following:

- Customer Dialed/Automated - the customer dials the appropriate AT&T access code (e.g., 0, 00, 10288+0) plus the telephone number desired and completes the call without the assistance of a live AT&T operator or the automated operator system and the call is billed to a calling card, or
- Customer Dialed and Operator Assisted - the customer dials the appropriate AT&T access code (e.g., 0, 00, 10288+0) plus the telephone number desired and company operator assistance is limited to recording the calling card number for billing purposes, or
- Customer Dialed and Operator Must Assist - the customer dials the appropriate AT&T access code (e.g., 0, 00, 10288+0) plus the telephone number desired and the local exchange operator services equipment capability precludes the customer from completing the call without the assistance of a company operator and the call is billed to the customer's calling card.

(C)

(C)

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Issued: December 14, 1994

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SERVICE CLASSIFICATIONS AND RATES

4.1 TWO-POINT MESSAGE TELECOMMUNICATIONS SERVICE (Cont'd)

4.1.3 Rate and Charge Application (Cont'd)

A. Classes of Service (Cont'd)

2. Customer Dialed Calling Card Station (Cont'd)

Each of the above types of calls is further classified based upon the type of calling card that is used for billing purposes, as follows:

Customer Dialed Calling Card Station rates do not apply when (C)

1) the customer dials the appropriate AT&T access code and does not enter the called number prior to the call timing out and being transferred to a live AT&T operator or the automated operator system, or 2) the customer dials an AT&T designated number for completion of Customer Dialed Calling Card calls, but fails to respond to system prompts and must be transferred to a company operator. Customer Dialed Calling Card rates will apply to calls utilizing the operator system to initiate speed dialed calls. (C)

- AT&T CIID/891 Card - An AT&T Calling Card using a non-telephone number Card Issuer Identifier (CIID) (14 digit) or "891" (21 digit) international billing number format.
- All Other Cards - All cards other than the AT&T CIID/891 Card. For example, this includes AT&T calling cards which are not in the CIID/891 format, other interexchange and local exchange company calling cards, commercial credit/charge cards and Commercial Calling Card*.

* A Commercial Calling Card is a calling card issued by AT&T or a Local Exchange Company that is billed to an account associated with a line for which the subscriber pays a rate that is described as a business or commercial rate in the applicable Local Exchange Company tariff; or a credit/charge card issued by a noncarrier to a customer who the issuer defines as a commercial or business account. A Consumer Calling Card is any calling card that is not a Commercial Calling Card.

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Issued: December 14, 1994

Effective: December 15, 1994

SERVICE CLASSIFICATIONS AND RATES

4.1 TWO-POINT MESSAGE TELECOMMUNICATIONS SERVICE (Cont'd)

4.1.3 Rate and Charge Application (Cont'd)

A. Classes of Service (Cont'd)

3. Operator Station

Operator Station Service is that service where the person originating the call is assisted by the Company operator and the call is completed to the telephone number of the desired telephone, Miscellaneous Common Carrier connecting circuit, communications system attendant or directly dialed station or gives only the name and address under which the number of the desired telephone, Miscellaneous Common Carrier connecting circuit or communications system is listed, and does not specify a particular person to be reached, nor a particular station, department or office to be reached through a communications system.

4. Operator Dialed Calling Card Station

Operator Dialed Calling Card Station rates apply when 1) the customer dials the appropriate AT&T access code and does not enter the called number prior to the call timing out and being transferred to a live AT&T operator or the automated operator system and the completed call is billed to a calling card, or 2) the customer dials an AT&T designated number for completion of Customer Dialed Calling Card calls, but fails to respond to system prompts and must be transferred to a company operator, and the completed call is billed to a calling card. (C)

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Issued: December 14, 1994

Effective: December 15, 1994

SERVICE CLASSIFICATIONS AND RATES

4.1 TWO-POINT MESSAGE TELECOMMUNICATIONS SERVICE (Cont'd)

4.1.3 Rate and Charge Application (Cont'd)

A. Classes of Service (Cont'd)

7. Telecommunications Relay Service (TRS)

TRS calls are calls completed through a telecommunications relay center. TRS provides the ability for an individual with a hearing and/or speech disability to communicate with a hearing individual in a manner functionally equivalent to the ability of individuals without hearing/speech disabilities. TRS allows individuals with hearing/speech disabilities who use a text telephone (TT) or its equivalent to communicate with individuals who use ordinary telephones. A Communications Assistance (CA) transliterates conversation from text to voice and from voice to text between two end users of TRS. The completed call is rated and billed as a call from the originating telephone number to the terminating telephone number. Direct dialed, calling card and operator assisted calls may be placed through TRS. Discounts applicable to relay calls appear in Part IV, Section 2, Sheet 4. User billed calls to enhanced and nonenhanced services are prohibited, e.g., coin sent-paid, 900 or 976 numbers.

8. Operator Dialed Surcharge

Operator Dialed Surcharge applies to Operator Station and Person-to-Person rated calls when the customer has the capability of dialing all the digits necessary to complete a call, but elects to dial only the appropriate operator code ("0", "00" or "10288+0") and requests the operator to dial the called station. This calling situation is referred to as Operator Dialed 0-. The surcharge applies in addition to any applicable service charges. The surcharge does not apply to:

- Calling Card Calls
- Directory Assistance Calls
- DIRECTORY LINK Calls

Operator Dialed 0- differs from the other calling situations. Customer Dialed 1+ involves the customer dialing a "1" and continuing to dial the called station. Customer Dialed 0+ involves the customer dialing the appropriate operator code and continuing to dial the called station.

(C)
|
(C)

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Issued: November 10, 1994

Effective: November 11, 1994

SERVICE CLASSIFICATIONS AND RATES

4.1 TWO-POINT MESSAGE TELECOMMUNICATIONS SERVICE (Cont'd)

4.1.3 Rate and Charge Application (Cont'd)

B. Initial Period and Additional Period

Rates are quoted in terms of initial periods and additional periods.

1. Initial period rates for calls other than sent paid coin are for a connection of one minute or any fraction thereof. Initial and additional period rates for sent paid coin calls (C) are for a connection of 3 minutes initial, and 2.5 minutes (C) additional, or any fraction thereof.
2. All additional period rates are for each additional minute or any fraction thereof that the connection continues beyond the initial period.

When application of a charge results in a fractional charge, the amount will be rounded down to the lower cent.

C. Timing of Messages

1. The date, day and time (standard or daylight savings) at the rate center of the calling party when the connection is established determines the MTS charges.

Rate periods are Day, Evening, and Night/Weekend according to the time of day and day of week.

Chargeable time is determined as follows:

- The billing elements used to determine message charges are: the initial period, the additional period and the applicable service charge.
- Charges for both the initial period and additional period billing elements are applied on the basis of whole minute intervals. The billing interval for these elements is determined by rounding up partial minutes to the next whole minute.

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Issued: March 31, 1994

Effective: April 1, 1994

SERVICE CLASSIFICATIONS AND RATES

4.1 TWO-POINT MESSAGE TELECOMMUNICATIONS SERVICE (Cont'd)

4.1.3 Rate and Charge Application (Cont'd)

B. Initial Period and Additional Period

Rates are quoted in terms of initial periods and additional periods.

1. Initial period rates for calls other than sent paid coin are for a connection of one minute or any fraction thereof. Initial period rates for sent paid coin calls are for a connection of 3 minutes or any fraction thereof.

2. All additional period rates are for each additional minute or any fraction thereof that the connection continues beyond the initial period.

When application of a charge results in a fractional charge, the amount will be rounded down to the lower cent.

C. Timing of Messages

1. The date, day and time (standard or daylight savings) at the rate center of the calling party when the connection is established determines the MTS charges.

Rate periods are Day, Evening, and Night/Weekend according to the time of day and day of week.

Chargeable time is determined as follows:

- The billing elements used to determine message charges are: the initial period, the additional period and the applicable service charge.

- Charges for both the initial period and additional period billing elements are applied on the basis of whole minute intervals. The billing interval for these elements is determined by rounding up partial minutes to the next whole minute.

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Issued: March 31, 1994

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Effective: April 1, 1994

SERVICE CLASSIFICATIONS AND RATES

4.1 TWO-POINT MESSAGE TELECOMMUNICATIONS SERVICE (Cont'd)

4.1.3 Rate and Charge Application (Cont'd)

C. Timing of Messages (Cont'd)

1. (Cont'd)

- The charge for the initial period is the initial period (T)
billing rate applicable for the rate period in which the
message connect time occurs. The charges for each
additional period of usage is the additional period (T)
billing rate for the rate period in which the beginning (T)
of each additional period occurs.
- 2. On Dial Station, Customer Dialed Calling Card Station,
Operator Dialed Calling Card Station and Operator Station
messages, chargeable time begins when connection is
established between the calling station and the desired
telephone, communications system attendant or directly
dialed station.
- 3. On Person-to-Person messages, chargeable time begins when
connection is established between the calling person and the
particular person or station specified or an agreed
alternate.
- 4. Chargeable time ends when the connection is terminated.
- 5. Chargeable time does not include time lost because of faults
or defects in the service.

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Issued: December 7, 1992

Effective: January 6, 1993

SERVICE CLASSIFICATIONS AND RATES

4.1 TWO-POINT MESSAGE TELECOMMUNICATIONS SERVICE (Cont'd)

4.1.3 Rate and Charge Application (Cont'd)

D. Reversal of Charges (Collect Call)

Charges for Person-to-Person and Operator Station telephone calls may be billed against or collected from the called telephone (i.e., charges may be reversed), if the charges are accepted at the called station. This collect call may be billed to a calling card or third party number. In the case of a public or semipublic telephone equipped for inward calling, the charges must be billed to a calling card or third party number, or the call may be reoriginated from the called station. The regularly established rates apply except that: when the called station does not accept the charges and the calling party requests that the call be tried again later, on a collect basis, the classification of the call is changed to Person-to-Person and the rates and regulations applicable to Person-to-Person apply.

E. Bill to Third Party

Bill to Third Party denotes a billing arrangement by which a call may be charged to an authorized station as determined by the Company other than the station originating the call or the station where the call is terminated.

F. Rates Applicable on Certain Holidays

On New Year's Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day, the holiday rate applicable is the Evening rate unless a lower rate would normally apply.

G. Rates

The applicable rates, charges and rate application periods for AT&T Message Telecommunications Service are contained in the MTS Price Schedule on file with the North Dakota Public Service Commission.

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Issued: March 31, 1994

Effective: April 1, 1994

SERVICE CLASSIFICATIONS AND RATES

4.1 TWO-POINT MESSAGE TELECOMMUNICATIONS SERVICE (Cont'd)

4.1.3 Rate and Charge Application (Cont'd)

H. Charges Paid for by Coin Deposits in Public or Semipublic
Telephones

The charges for a call paid for by coin deposit in a public or semipublic telephone is the sum rounded to the nearest multiple of \$.05, of the appropriate initial period rate and additional period charge. (C)

I. Hearing or Speech Impairment Discount

Disabled persons who have been certified to the Company as having a hearing or speech impairment which necessitates that they communicate by a Telecommunications Device for the Deaf (TDD) - sometimes referred to as a teletypewriter or TTY device - will receive, upon written application to the Company, credit on Day, Evening and certain Night/Weekend rated intrastate dial station calls from certified residence account premises where a TDD is located. (C)

For a customer with more than one line or trunk, written application will be required for each line or trunk.

The billing period for this discount will be determined by the toll billing date. The customer will receive the discount at the beginning of the next toll billing period after application approval. The customer has the option of withdrawing at either the beginning or ending of the billing period.

Refer to the Price Schedule for rates.

J. Special Hour Discount

1. "Special Hour Discount" (SHD) is for selected hours on selected days as determined by the Company.

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Issued: February 13, 1995

Effective: February 14, 1995

SERVICE CLASSIFICATIONS AND RATES

4.1 TWO-POINT MESSAGE TELECOMMUNICATIONS SERVICE (Cont'd)

4.1.3 Rate and Charge Application (Cont'd)

J. Special Hour Discount (Cont'd)

2. SHD applies only to intrastate message telecommunications dial station service between points within the state of North Dakota.
3. The charge for messages originated during the selected hours will be determined by the Company. This charge will only apply if it is less than the charges which would regularly apply.
4. When hearing or speech impairment discounts apply, the SHD rate will be reduced by the applicable change in discount.

K. Busy Line Verification/Interruption Service

(C)

1. Busy Line Verification

Provides operator assistance in determining if there is conversation in progress on a called station. The service charge is applied to all attempts to verify the condition of a customer line, busy talking, busy not talking (e.g., off hook) except attempts which are unsuccessful due to network equipment failure.

2. Busy Line Interruption

Provides for operator interruption of a conversation in progress on a called station. A charge applies for each attempt to interrupt regardless of whether or not the called station releases the call. A Busy Line Verification must be made, and its Service Charge incurred, prior to a Busy Line Interruption.

Once an operator has verified the line, and the called party has agreed to accept the interruption, the Customer is provided the option of completing an operator assisted call to the called station without hanging up or originating a separate LDMS call. Customers may accept or refuse the operator's offer to complete the call. Operator Station transport charges, Service Charge and an Operator Dialed Surcharge will be applied to calls completed with the operator's assistance.

(C)

REFER TO PRICE SCHEDULE

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Issued: February 22, 1996

Effective: February 23, 1996

SERVICE CLASSIFICATIONS AND RATES

4.2 10288 CASUAL SERVICE

4.2.1 Definition

10288 Casual Service allows any person to use AT&T intrastate service (interLATA and intraLATA) from any equal access end office by dialing the AT&T five Digit Access Code (10288).

The term "10288 Casual Service" denotes the dialing procedures which allow a caller to access an AT&T line from any equal access end office.

A. For direct dialed calls billed to the calling number, dial:

10288 + 1 + area code + telephone number

B. For collect calls, calls billed to a third number or calling card, dial:

10288 + 0 + area code + telephone number

4.2.2 Rates

Refer to the Price Schedule for rates.

4.3 NON-SUBSCRIBER SERVICE CHARGE

A service charge is applicable to domestic Dial Station Calls originated from residential lines which are presubscribed to an interexchange carrier other than AT&T, or not presubscribed to any interexchange carrier. This charge is in addition to the initial period charges applicable to calls, and will apply in all areas where billing is available.

The Non-Subscriber Service charge does not apply to intraLATA calls; conference calls, calls to AT&T Directory Assistance, AT&T 500 Personal Number Service, AT&T EasyReach Service, or 800, 900, telephone numbers; calls using Telecommunications Relay Service; calls originated from cellular phones; calls originated on residential lines which have discontinued presubscription to AT&T but retain an interLATA billing relationship with AT&T. AT&T will refund any Non-Subscriber Service Charges reported by newly presubscribed AT&T Customers during the period between presubscription and administrative processing of new Customers. AT&T will also refund any Non-Subscriber Service Charge reported by Customers during an F.C.C. reportable incident of service outage by another interexchange carrier.

(B)

(B)

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Issued: January 31, 1995

Effective: February 1, 1995

OPTIONAL CALLING PLANS

5.2 REACH OUT NORTH DAKOTA

As of February 1, 1995, the Reach Out State Calling Plans, including all options, will no longer be available for calls originating on a line classified as a Business Line by the applicable local exchange company. In addition, customers may not subscribe to these plans on or after February 1, 1995. (N)

Calls billed to the customer's Business Lines after the date specified above, will be charged Commercial Long Distance rates as specified in North Dakota Custom Network Services tariff, Price Schedule, Page 8. (N)

5.2.1 Description

Reach Out North Dakota is furnished for Company-provided intrastate AT&T Long Distance telephone calls in the state of North Dakota during the hours when Evening and Night/Weekend rates apply to AT&T Long Distance Service.

For a fixed monthly rate, customers may use up to one hour of Night/Weekend call calling, consisting of up to sixty calls, at no additional charge. An additional minute rate is applicable for Night/Weekend intrastate AT&T Long Distance calling that exceeds the initial hour. Customers also receive a discount on calls made during the Evening rate period.

Refer to the Price Schedule for rates.

5.2.2 Regulations

A. Provision of Service

Reach Out North Dakota is provided only where billing capability exists. Customers who select this calling plan are not eligible for any additional discounts on the AT&T Long Distance calls covered by this plan.

B. Application

1. The plan offers a participating customer the option of paying a monthly charge to obtain a cumulative total of up to one hour of Long Distance calling time per month for dial station calls and a discount on calls made during the Evening rate period. Calls may be made between locations in the state of North Dakota during the Night/Weekend rate period. In determining charges, a fractional minute will be rounded up to the next highest whole minute.

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Issued: December 7, 1992

Effective: January 6, 1993

OPTIONAL CALLING PLANS

5.2 REACH OUT NORTH DAKOTA (Cont'd)

5.2.2 Regulations (Cont'd)

B. Application (Cont'd)

1. (Cont'd)

The accumulation of hours of use for the Night/Weekend period is determined by the total usage during the Night/Weekend rate period only. Any portion of a call in the Day and/or Evening rate period is billed at the appropriate rate listed in the Dial Station Price Schedule.

2. The Evening Discount provides a reduced rate on the customer's basic Long Distance calls between locations in the state of North Dakota made during the Evening rate period. The charges for any portion of a call which is made in the Evening rate period will first be determined as specified in the Dial Station Price Schedule for the Evening rate period. All such charges will be totaled for the billing period shown in the Price Schedule. The total will then be discounted by the Reach Out North Dakota discount shown in the Price Schedule to determine the charge to the customer for calls made during the Evening rate period. The discount percentage does not apply to portions of calls made in the Day or Night/Weekend rate periods.
3. Additional Minute Charge - The Additional Minute Charge applies to all calls in excess of the allotted Night/Weekend rate period calls.

C. Application of Rates and Charges

1. The minimum service period for Reach Out North Dakota is one month. Customers who retain service for less than one month will be billed the minimum or fixed monthly rate.
2. Beyond the minimum period, the monthly recurring and usage charges may be prorated for partial months.
3. The total Night/Weekend calling beyond the first hour per billing period will be totalled and rated using the additional minute rate. The evening discount will be applied to the total eligible evening calling per billing period. If the monthly total of such computations does not result in whole cents, charges are rounded when the bill is rendered.

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Issued: December 7, 1992

Effective: January 6, 1993

OPTIONAL CALLING PLANS

5.2 REACH OUT NORTH DAKOTA (Cont'd)

5.2.2 Regulations (Cont'd)

C. Application of Rates and Charges (Cont'd)

4. A nonrecurring charge applies for this plan, as shown in the Price Schedule.
5. The nonrecurring charge is billed on the first bill date after service is established.
6. Reach Out North Dakota may be discontinued by the customer upon written or telephonic notice to AT&T. In addition, AT&T will discontinue a customer's subscription to the plan in the following situations:
 - a. When AT&T is notified, on or after November 25, 1991, that the customer has changed its primary interexchange carrier to a carrier other than AT&T after the customer subscribed to the plan, and the customer has not notified AT&T that it wishes to continue such plan. Discontinuance will be effective as of the date the customer changed its primary interexchange carrier.
 - b. When AT&T has notified a customer in writing that it plans to discontinue the customer's plan and the customer does not, within 30 days of such notification, notify AT&T that it wishes to continue such plan. Discontinuance will be effective 30 days from AT&T's mailing of its notification to the customer.

5.2.3 Rates and Charges

Refer to the Price Schedule for rates.

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Issued: January 31, 1995

Effective: February 1, 1995

PROMOTIONAL OFFERING

- 6.1 The Company may from time to time engage in special promotional service offerings of limited duration, designed to attract new customers or to increase existing customer awareness of a particular tariff offering. Requests to offer promotions will be presented prior to the promotional offering and will be presented to the Commission for its review and approval.

6.2 MTS BASIC SCHEDULE NPA VOLUME DISCOUNT OPTION

AT&T offers an optional customer selected NPA (area code not including 700 or 900) volume discount to MTS residential customers, as an add-on to AT&T's interstate tariff. Customers may obtain the NPA volume discount in accordance with the following schedule:

<u>Combined Monthly Usage</u>	<u>Discount Level for Designated NPA</u>
\$0.00 - \$2.99	0%
\$3.00 - \$9.99	0%
\$10.00 - \$14.99	0%
\$15.00 - \$19.99	0%
\$20.00 - \$24.99	0%
\$25.00 - \$29.99	0%
\$30.00 - \$34.99	25%
\$35.00 - \$49.99	25%
\$50.00 - \$99.99	25%
\$100.00 - \$149.99	25%
\$150.00 and above	25%

For the purpose of the NPA volume discount offered pursuant to the foregoing schedule, combined monthly usage is defined as a customer's usage charge for a month for Domestic Dial Station calls. (C) In addition, where billing capability exists, Domestic AT&T CIID/891 Card calls and Domestic Operator handled calls will be included in determining the customer's combined monthly usage under this plan.

Usage from conference calls, 900 Services, calls to Directory Assistance, DIRECTORY LINK, Busy Line Verification and Busy Line/Interrupt, calls billed to a Local Exchange Carrier calling card, AT&T CIID/891 Card calls which are not billed to the Customer's Main Billed Account, mobile, marine or cellular services, AT&T Optional Calling Plans, any of the services in AT&T's Custom Network Service Tariff and any of the AT&T Commercial Affiliation Programs does not qualify for either combined monthly usage or eligible MTS usage. Monthly recurring charges, nonrecurring charges and taxes are also excluded from both combined monthly usage and eligible MTS usage.

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Issued: January 31, 1995

Effective: February 1, 1995

PROMOTIONAL OFFERING

6.2 MTS BASIC SCHEDULE NPA VOLUME DISCOUNT OPTION (Cont'd)

The discount set forth in the schedule will be offered on the total eligible usage charges on calls to the single domestic NPA designated by the customer during each billing period in which the customer's combined monthly usage is within the specified range. (C)

To receive the discounts offered under this option, customers must be presubscribed to AT&T and must provide written or telephonic notice to the Company designating in advance the single domestic NPA which will be eligible to receive the specified discount. A customer who qualifies for and receives an NPA volume discount for one month will also receive a bonus discount equal to 15% of the total usage charges during that month for Domestic Dial Station calls completed to all domestic NPAs other than the designated NPA. (C)
(C)

The MTS Basic Schedule NPA Volume Discount Option is not available to any customer account that subscribes: AT&T Wide Area Telecommunications Service, AT&T Optional Calling Plans, or any of the services in AT&T's Custom Network Service Tariff (with the exception of AT&T EasyReach Service), any of the AT&T Commercial Affiliation Programs and AT&T MTS Basic Schedule Special Discount Promotion. The discounts offered through the MTS Basic Schedule NPA Volume Discount Option will be provided at the Company's option through bill credits, AT&T Long Distance Certificates and/or through separate checks issued by the Company. This plan is only available where billing capabilities exist in the Local Exchange Carrier serving the customer and where information is reasonably available to the Company to adjust the customer's bill or to provide the discount in another form. In those exception areas where this plan is not available in a customer's area, the Company will so inform the customer at the time the customer contacts the Company to designate the single NPA. This is being filed in conjunction with the interstate option.

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Issued: October 13, 1995

Effective: October 16, 1995

AT&T PREPAID CARD SERVICE

7.1 GENERAL

AT&T Prepaid Card Service provides an outbound voice grade communications service for calls charged to an AT&T Prepaid Card. All interstate terms and conditions, features and functions, credit allowances, interruptions and exclusions apply.

7.2 RATES AND CHARGES

AT&T Prepaid Cards are available in various unit denominations. (T)
These prices are inclusive of all taxes. AT&T Prepaid Cards will be (T)
sold at prices rounded to the nearest cent.

Price Per Unit

\$.4500

(C)

(C)

Cards will be decremented in of units for each minute or fractional part of a minute. These rates apply 24 hours per day, 7 days per week. (T)
(T)

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TELECOMMUNICATIONS
SERVICE TARIFF

Section 8
Original Page 1

State of North Dakota

Issued: February 25, 1994

Effective: February 28, 1994

SELECTCALL SERVICE

8.1 GENERAL

AT&T SelectCall Service permits the customer to receive direct dialed calls originated over the AT&T network from subscriber-authorized telephone numbers and have those calls automatically reverse-billed to the customer without the assistance of a company operator. All terms and conditions, features and functions, credit allowances, interruptions and exclusions that apply are described in AT&T's Tariff F.C.C. No. 1, Section 3. AT&T SelectCall Service is available where facilities and billing capabilities exist.

8.2 RATES AND CHARGES

SelectCall includes a service charge per call. Usage charges for calls are Dial Station rates.

Refer to the Price Schedule

(N)

(N)

State of North Dakota

Issued: January 31, 1995

Effective: February 1, 1995

DIRECTORY ASSISTANCE SERVICE

9.1 DESCRIPTION

Directory Assistance Service, as offered by the Company, allows customers to request information from Directory Assistance records. Directory Assistance charges apply to all requests.

In addition to the Directory Assistance Charge, customers are charged the appropriate Operator Service Charges as specified in this tariff. Person-to-person and collect calls to Directory Assistance are not permitted.

9.2 CUSTOMERS WITH DISABILITIES

Those customers, with an AT&T approved certification, having a visual or physical disability that prevents use of a telephone directory are exempted, as a reasonable accommodation associated with their disability, from the charges for Directory Assistance calls for up to and including 50 calls per month. This exemption applies (C) to calls billed to one residential telephone line per certified customer and applies to Directory Assistance calls for personal use only. Calls in excess of 50, where billing is available, will be billed the tariffed Directory Assistance charges.

9.3 RATES AND CHARGES

Refer to the Price Schedule.

AT&T Communications
of the Midwest, Inc.
State of North Dakota

MESSAGE
TELECOMMUNICATIONS
SERVICE TARIFF

Section 10
2nd Revised Page 1

Issued: November 10, 1994

Effective: November 11, 1994

AT&T DIRECTORY LINK SERVICE

10.1 DESCRIPTION

AT&T DIRECTORY LINK Service permits a customer to complete a direct-dial, calling card, or operator-assisted call to the called station telephone number received from intrastate Directory Assistance without hanging up and originating a separate call. AT&T DIRECTORY LINK Service is offered when a customer 1) dials intrastate Directory Assistance directly, 2) uses a calling card accepted by the AT&T network or 3) requests intrastate Directory Assistance with assistance from the AT&T operator. When the customer accepts the offer after the requested number is received from Directory Assistance, the call is placed to the requested number. Customers obtaining two numbers from Directory Assistance are only able to use the AT&T DIRECTORY LINK Service for the first number requested. AT&T DIRECTORY LINK Service is not offered on the following types of calls:

- Certain sent paid calls from hotels, hospitals, dormitories and coin telephones where billing capability is not available.

10.2 REGULATIONS

A service charge applies to AT&T calls completed via AT&T DIRECTORY LINK Service. The service charge is not applied if the call cannot be completed. Usage charges and associated service charges (except Operator Station service charges) apply to the completed calls. The Operator Dialed surcharge in Section 2 does not apply on AT&T DIRECTORY LINK Service calls. Discounts that apply to the usage and service charges also apply to the AT&T DIRECTORY LINK Service charge. In addition, all associated Directory Assistance charges apply for the provision of the requested listing information. An exemption for customers with disabilities, which applies to some customer's Directory Assistance charges, does not apply to the AT&T DIRECTORY LINK Service charge.

10.3 AVAILABILITY

Service is offered to customers serviced by AT&T Operator Service Position System.

10.4 RATES AND CHARGES

Refer to the Price Schedule.

AT&T Communications
of the Midwest, Inc.

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TELECOMMUNICATIONS
SERVICE TARIFF

Section 11
Original Page 1

State of North Dakota

Issued: July 31, 1995

Effective: August 1, 1995

AT&T PRISON COLLECT WITH CONTROLS SERVICE

11.1 GENERAL

(H)

AT&T Prison Collect with Controls Service is an AT&T Long Distance Service that permits inmates to place collect calls originated over the AT&T network from authorized telephone numbers in a Prison Administration controlled environment. Telephones subscribed for this service may be monitored or controlled by the Prison Administration for one or more of the following:

- duration of call
- time of day
- number of calls placed per individual
- permission restrictions
- call blocking
- call detail reports
- monitoring and recording of discrete phone conversations
- restriction lists

Prison Collect with Controls Service is available at prisons in which Prison Administrators have selected AT&T as their primary interexchange carrier and requested the availability of this service. Prison Collect with Controls Service includes Operator Station Collect or Person Collect calls. Prison Collect with Controls Service calls cannot be converted from a collect call to a Calling Card Call by the billed party.

11.1.1 Rates and Charges

Prison Collect with Controls Service includes usage charges and a Service Charge per call as specified below:

For usage charges, refer to RATE LIST, following.

Operator Station Collect Charge

Person to Person Collect Charge.

(H)

AT&T Communications
of the Midwest, Inc.

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TELECOMMUNICATIONS
SERVICE

74-453-96-100
Price Schedule
4th Revised Page 1

State of North Dakota

Issued: March 11, 1996

Effective: March 12, 1996

RATE	DAY		EVENING		NIGHT/WEEDEND		
	INITIAL PERIOD	EACH ADD'L PERIOD	INITIAL PERIOD	EACH ADD'L PERIOD	INITIAL PERIOD	EACH ADD'L PERIOD	
<u>MILEAGE</u>	<u>PERIOD</u>	<u>PERIOD</u>	<u>PERIOD</u>	<u>PERIOD</u>	<u>PERIOD</u>	<u>PERIOD</u>	
DIAL STATION SERVICE							
0-20	\$0.2900	\$0.1700	\$0.2000	\$0.1200	\$0.1800	\$0.1100	(I)
21-80	0.3400	0.2300	0.2300	0.1600	0.2100	0.1500	
81-124	0.3900	0.2900	0.2700	0.1900	0.2400	0.1700	
125-172	0.4000	0.3000	0.2800	0.2000	0.2500	0.1800	
173-192	0.4300	0.3200	0.2900	0.2100	0.2600	0.1900	
193-220	0.4400	0.3300	0.3000	0.2200	0.2700	0.2000	
221-275	0.4500	0.3400	0.3100	0.2300	0.2800	0.2100	
276-392	0.4600	0.3600	0.3200	0.2500	0.2900	0.2200	(I)

CUSTOMER DIALED CALLING CARD STATION SERVICE - BILLED TO AN AT&T CIID/891 CARD

0-20	\$0.2900	\$0.1700	\$0.2000	\$0.1200	\$0.1800	\$0.1100	(I)
21-80	0.3400	0.2300	0.2300	0.1600	0.2100	0.1500	
81-124	0.3900	0.2900	0.2700	0.1900	0.2400	0.1700	
125-172	0.4000	0.3000	0.2800	0.2000	0.2500	0.1800	
173-192	0.4300	0.3200	0.2900	0.2100	0.2600	0.1900	
193-220	0.4400	0.3300	0.3000	0.2200	0.2700	0.2000	
221-275	0.4500	0.3400	0.3100	0.2300	0.2800	0.2100	
276-392	0.4600	0.3600	0.3200	0.2500	0.2900	0.2200	(I)

CUSTOMER DIALED CALLING CARD STATION SERVICE - BILLED TO A CALLING CARD OTHER THAN AN AT&T CIID/891 CARD

0-20	\$0.2900	\$0.1700	\$0.2000	\$0.1200	\$0.1800	\$0.1100	(I)
21-80	0.3400	0.2300	0.2300	0.1600	0.2100	0.1500	
81-124	0.3900	0.2900	0.2700	0.1900	0.2400	0.1700	
125-172	0.4000	0.3000	0.2800	0.2000	0.2500	0.1800	
173-192	0.4300	0.3200	0.2900	0.2100	0.2600	0.1900	
193-220	0.4400	0.3300	0.3000	0.2200	0.2700	0.2000	
221-275	0.4500	0.3400	0.3100	0.2300	0.2800	0.2100	
276-392	0.4600	0.3600	0.3200	0.2500	0.2900	0.2200	(I)

OPERATOR DIALED CALLING CARD STATION SERVICE - BILLED TO AN AT&T CIID/891 CARD

0-20	\$0.2900	\$0.1700	\$0.2000	\$0.1200	\$0.1800	\$0.1100	(I)
21-80	0.3400	0.2300	0.2300	0.1600	0.2100	0.1500	
81-124	0.3900	0.2900	0.2700	0.1900	0.2400	0.1700	
125-172	0.4000	0.3000	0.2800	0.2000	0.2500	0.1800	
173-192	0.4300	0.3200	0.2900	0.2100	0.2600	0.1900	
193-220	0.4400	0.3300	0.3000	0.2200	0.2700	0.2000	
221-275	0.4500	0.3400	0.3100	0.2300	0.2800	0.2100	
276-392	0.4600	0.3600	0.3200	0.2500	0.2900	0.2200	(I)

AT&T Communications
of the Midwest, Inc.

MESSAGE
TELECOMMUNICATIONS
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P21-453-96-100
Price Schedule
5th Revised Page 2

State of North Dakota

Issued: March 11, 1996

Effective: March 12, 1996

<u>DAY</u>		<u>EVENING</u>		<u>NIGHT/WEKEND</u>	
<u>RATE</u>	<u>EACH</u>	<u>EACH</u>	<u>EACH</u>	<u>EACH</u>	<u>EACH</u>
<u>MILEAGE</u>	<u>INITIAL</u>	<u>ADD'L</u>	<u>INITIAL</u>	<u>ADD'L</u>	<u>INITIAL</u>
	<u>PERIOD</u>	<u>PERIOD</u>	<u>PERIOD</u>	<u>PERIOD</u>	<u>PERIOD</u>
OPERATOR DIALED CALLING CARD STATION SERVICE - BILLED TO OTHER THAN AN AT&T CIID/891 CARD					
0-20	\$0.2900	\$0.1700	\$0.2000	\$0.1200	\$0.1800
21-80	0.3400	0.2300	0.2300	0.1600	0.2100
81-124	0.3900	0.2900	0.2700	0.1900	0.2400
125-172	0.4000	0.3000	0.2800	0.2000	0.2500
173-192	0.4300	0.3200	0.2900	0.2100	0.2600
193-220	0.4400	0.3300	0.3000	0.2200	0.2700
221-275	0.4500	0.3400	0.3100	0.2300	0.2800
276-392	0.4600	0.3600	0.3200	0.2500	0.2900

OPERATOR STATION SERVICE - BILLED TO THIRD PARTY, COLLECT AND SENT PAID
NON-COIN CALLS

0-20	\$0.2900	\$0.1700	\$0.2000	\$0.1200	\$0.1800	\$0.1100	(I)
21-80	0.3400	0.2300	0.2300	0.1600	0.2100	0.1500	
81-124	0.3900	0.2900	0.2700	0.1900	0.2400	0.1700	
125-172	0.4000	0.3000	0.2800	0.2000	0.2500	0.1800	
173-192	0.4300	0.3200	0.2900	0.2100	0.2600	0.1900	
193-220	0.4400	0.3300	0.3000	0.2200	0.2700	0.2000	
221-275	0.4500	0.3400	0.3100	0.2300	0.2800	0.2100	
276-392	0.4600	0.3600	0.3200	0.2500	0.2900	0.2200	

OPERATOR STATION SERVICE - SENT PAID COIN

0-20	\$0.8700	\$0.4250	\$0.6000	\$0.3000	\$0.5400	\$0.2750	(I)
21-80	\$1.0200	\$0.5750	\$0.6900	\$0.4000	\$0.6300	\$0.3750	
81-124	\$1.1700	\$0.7250	\$0.8100	\$0.4750	\$0.7200	\$0.4250	
125-172	\$1.2000	\$0.7500	\$0.8400	\$0.5000	\$0.7500	\$0.4500	
173-192	\$1.2900	\$0.8000	\$0.8700	\$0.5250	\$0.7800	\$0.4750	
193-220	\$1.3200	\$0.8250	\$0.9000	\$0.5500	\$0.8100	\$0.5000	
221-275	\$1.3500	\$0.8500	\$0.9200	\$0.5750	\$0.8400	\$0.5250	
276-392	\$1.3800	\$0.9000	\$0.9600	\$0.6250	\$0.8700	\$0.5500	

PERSON-TO-PERSON SERVICE - BILLED TO AN AT&T CIID/891 CARD

0-20	\$0.2900	\$0.1700	\$0.2000	\$0.1200	\$0.1800	\$0.1100	(I)
21-80	0.3400	0.2300	0.2300	0.1600	0.2100	0.1500	
81-124	0.3900	0.2900	0.2700	0.1900	0.2400	0.1700	
125-172	0.4000	0.3000	0.2800	0.2000	0.2500	0.1800	
173-192	0.4300	0.3200	0.2900	0.2100	0.2600	0.1900	
193-220	0.4400	0.3300	0.3000	0.2200	0.2700	0.2000	
221-275	0.4500	0.3400	0.3100	0.2300	0.2800	0.2100	
276-392	0.4600	0.3600	0.3200	0.2500	0.2900	0.2200	

AT&T Communications
of the Midwest, Inc.

MESSAGE
TELECOMMUNICATIONS
SERVICE

Price Schedule
3th Revised Page 3

State of North Dakota

Issued: March 11, 1996

Effective: March 12, 1996

RATE MILEAGE	DAY		NIGHT		NIGHT/WEEDEND	
	INITIAL PERIOD	EACH ADD'L PERIOD	INITIAL PERIOD	EACH ADD'L PERIOD	INITIAL PERIOD	EACH ADD'L PERIOD

PERSON-TO-PERSON SERVICE - BILLED TO OTHER THAN AN AT&T CIID/891 CARD OR
OTHER THAN SENT PAID COIN

0-20	\$0.2500	\$0.1700	\$0.2000	\$0.1200	\$0.1800	\$0.1100	(I)
21-80	0.3400	0.2300	0.2300	0.1600	0.2100	0.1300	
81-124	0.3900	0.2900	0.2700	0.1900	0.2400	0.1700	
125-172	0.4000	0.3000	0.2800	0.2000	0.2500	0.1800	
173-192	0.4300	0.3200	0.2900	0.2100	0.2600	0.1900	
193-220	0.4400	0.3300	0.3000	0.2200	0.2700	0.2000	
221-275	0.4500	0.3400	0.3100	0.2300	0.2800	0.2100	
276-392	0.4600	0.3500	0.3200	0.2500	0.2900	0.2200	(I)

PERSON-TO-PERSON SERVICE - SENT PAID COIN

0-20	\$0.8700	\$0.6250	\$0.6000	\$0.3000	\$0.5400	\$0.2750	(I)
21-80	\$1.0200	\$0.5750	\$0.6900	\$0.4000	\$0.6300	\$0.3750	
81-124	\$1.1700	\$0.7250	\$0.8100	\$0.4750	\$0.7200	\$0.4250	
125-172	\$1.2000	\$0.7500	\$0.8400	\$0.5000	\$0.7500	\$0.4500	
173-192	\$1.2900	\$0.8000	\$0.8700	\$0.5250	\$0.7800	\$0.4750	
193-220	\$1.3200	\$0.8250	\$0.9000	\$0.5500	\$0.8100	\$0.5000	
221-275	\$1.3500	\$0.8500	\$0.9300	\$0.5750	\$0.8400	\$0.5250	
276-392	\$1.3800	\$0.9000	\$0.9600	\$0.6250	\$0.8700	\$0.5500	(I)

REAL TIME RATED - OPERATOR STATION/PERSON-TO-PERSON SERVICE - BILLED TO AN
AT&T CIID/891 CARD

0-20	\$0.2900	\$0.1700	\$0.2000	\$0.1200	\$0.1800	\$0.1100	(I)
21-80	0.3400	0.2300	0.2300	0.1600	0.2100	0.1500	
81-124	0.3900	0.2900	0.2700	0.1900	0.2400	0.1700	
125-172	0.4000	0.3000	0.2800	0.2000	0.2500	0.1800	
173-192	0.4300	0.3200	0.2900	0.2100	0.2600	0.1900	
193-220	0.4400	0.3300	0.3000	0.2200	0.2700	0.2000	
221-275	0.4500	0.3400	0.3100	0.2300	0.2800	0.2100	
276-392	0.4600	0.3600	0.3200	0.2500	0.2900	0.2200	(I)

REAL TIME RATED - OPERATOR STATION/PERSON-TO-PERSON SERVICE - BILLED TO
OTHER THAN AN AT&T CIID/891 CARD

0-20	\$0.2900	\$0.1700	\$0.2000	\$0.1200	\$0.1800	\$0.1100	(I)
21-80	0.3400	0.2300	0.2300	0.1600	0.2100	0.1500	
81-124	0.3900	0.2900	0.2700	0.1900	0.2400	0.1700	
125-172	0.4000	0.3000	0.2800	0.2000	0.2500	0.1800	
173-192	0.4300	0.3200	0.2900	0.2100	0.2600	0.1900	
193-220	0.4400	0.3300	0.3000	0.2200	0.2700	0.2000	
221-275	0.4500	0.3400	0.3100	0.2300	0.2800	0.2100	
276-392	0.4600	0.3600	0.3200	0.2500	0.2900	0.2200	(I)

AT&T Communications
of the Midwest, Inc.

MESSAGE
TELECOMMUNICATIONS
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14-453-94-305
Price Schedule
1st Revised Page 4

State of North Dakota

Issued: March 31, 1994

Effective: April 1, 1994

Material previously shown on this page now appears on Page 3.

AT&T Communications
of the Midwest, Inc.

MESSAGE
TELECOMMUNICATIONS
SERVICE

Price Schedule
7th Revised Page 5

State of North Dakota

Issued: March 11, 1996

Effective: March 12, 1996

SERVICE CHARGES

	<u>Billed to</u>		
	<u>AT&T CUID/ 891 Card</u>	<u>All Other Cards</u>	<u>All Other Calls</u>
Customer Dialed Calling Card Station			
Customer Dialed/Automated	\$.80	\$1.00(I)	NA
Customer Dialed and Operator Assisted	2.25(I)	2.25	NA
Customer Dialed-Operator Must Assist	.80	1.00	NA
Operator Dialed Calling Card Station	2.25(I)	2.25(I)	NA
Operator Station**			
Collect	NA	NA	\$2.25(I)
Billed to Third Party	NA	NA	2.35
Sent Paid - Non Coin	NA	NA	2.30
Sent Paid - Coin	NA	NA	2.05
Person-To-Person**	4.90(I)	4.90(I)	4.90(I)
Operator Dialed Surcharge (Operator Dialed 0-)			
Operator Dialed Called Number, per call	1.15(I)		
Customer Called Called Number, per call	.85		
Non-Subscriber Service Charge	.80		

** includes Real Time Rated Calls

DATE PERIODS

Day 8:00AM - *5:00PM Monday through Friday
Evening 5:00PM - *11:00PM Sunday through Friday
Night & Weekend All others

* to but not including

AT&T Communications
of the Midwest, Inc.

MESSAGE
TELECOMMUNICATIONS
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PH-453.94-491
Price Schedule
2nd Revised Page 6

State of North Dakota

Issued: May 18, 1994

Effective: May 19, 1994

APPLICATION OF SERVICE CHARGES AND SURCHARGES

TYPE OF CALL	OPERATOR	
	SERVICE CHARGE	DIALED SURCHARGE
Dial Station (customer dialed 1+)	No	No
Customer Dialed Calling Card Station (0+)	Yes	No
Operator Dialed Calling Card Station (operator dialed 0-) billed to a calling card	Yes	No
Operator Station (customer dialed 0+) collect, billed to third, sent paid	Yes	No
Operator Station (operator dialed 0-) collect, billed to third, sent paid	Yes	Yes
Operator Station (operator dialed 0-) billed to a calling card	Yes	No
Person-to-Person (customer dialed 0+) collect, billed to third, sent paid	Yes	No
Person-to-Person (operator dialed 0-) collect, billed to third, sent paid	Yes	Yes
Person-to-Person (operator dialed 0-) billed to a calling card	Yes	No
Real Time Rated (customer dialed 0+) coin paid, time and charges	Yes	No
Real Time Rated (operator dialed 0-) coin paid, time and charges	Yes	Yes
Directory Assistance* (customer dialed 1+)	No	No
Directory Assistance* (customer dialed 0+) billed to third number, calling card, sent paid	Yes	No
Directory Assistance* (operator dialed 0-) billed to a calling card	Yes	No
Directory Assistance* (operator dialed 0-) billed to third number, sent paid	Yes	Yes

* Directory Assistance Charge applies

AT&T Communications
of the Midwest, Inc.

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TELECOMMUNICATIONS
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P24-453-96-100
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3rd Revised Page 7

State of North Dakota

Issued: March 11, 1996

Effective: March 12, 1996

HEARING OR SPEECH IMPAIRMENT DISCOUNT

	MON	TUES	WED	THUR	FRI	SAT	SUN
8:00 AM to * 5:00 PM	35% Discount from Day Rate						
5:00 PM to * 11:00 PM	60% Discount from Day Rate						
11:00 PM to * 8:00 AM	75% Discount from Day Rate						

* to but not including

On New Year's Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day, the 60% discount from the Day rate will apply unless a lower rate would normally be charged.

All Day Rates refer to those of Dial Station Service.

BUSY LINE VERIFICATION/INTERRUPTION SERVICE

- per Verification
- per Interruption

Present Rate

\$ 4.00(I)
8.00(I)

RESTORAL OF SERVICE

Each Line Restored

32.00

AT&T Communications
of the Midwest, Inc.

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TELECOMMUNICATIONS
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74-453-96-100
Price Schedule
4th Revised Page 8

State of North Dakota

Issued: March 11, 1996

Effective: March 12, 1996

REACH OUT NORTH DAKOTA

USOC

TS1BT One Hour Plan with Evening Discount
- per month

CHARGES

\$10.51(I)

Additional Minute Charge*
- per minute

.1635(I)

Evening discount

15%

Nonrecurring initiation of service
- per account

3.00

* Where billing capability exists. Otherwise, the additional period will
be billed using the additional hourly rate of \$9.23.

AT&T SELECTCALL SERVICE

Service Charge, per call \$1.44

DIRECTORY ASSISTANCE SERVICE

per call \$.75

AT&T DIRECTORY LINK SERVICE

Service charge per completed call:

- For Direct Dialed calls to Directory Assistance \$.50
- For customer Dialed Automated Calling Card Calls \$.83
- For all other Card and Operator-Assisted Calls 1.25

AT&T PRISON COLLECT WITH CONTROLS SERVICE

Operator Station Collect Charge \$3.00

Person to Person Collect Charge

Refer to
Person-to-Person
Service Charge
Shown on
Rate List

AT&T Communication
of the Midwest, Inc.

MESSAGE
TELECOMMUNICATIONS
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Price Schedule
Page 9

State of North Dakota

Issued: September 1, 1993

Effective: September 2, 1993

REACH OUT NORTH DAKOTA

<u>USOC</u>	<u>Charged</u>
TSLBT One Hour Plan with Evening Discount - per month	\$9.90
Additional Minute Charge* - per minute	.1541
Evening discount	15%
Nonrecurring initiation of service - per account	3.00

* Where billing capability exists. Otherwise, the additional period will be billed using the additional hourly rate of \$9.25.

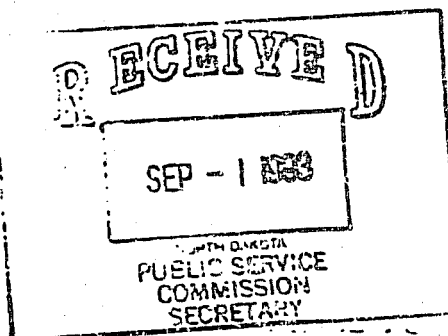
OPERATOR HANDLED CONFERENCE SERVICE

The total charge for the Operator Handled Conference Service connection is the sum of 1. and 2. following:

1. Rate per minute or fraction thereof

<u>Peak</u>	<u>Off-Peak</u>	(C)
\$0.53	\$0.33	(C)

2. A service charge per called station - \$10.00



AT&T Communications
of the Midwest, Inc.

MESSAGE
TELECOMMUNICATIONS
SERVICE

84-453-70-344

Price Schedule
Page 10

State of North Dakota

Issued: May 4, 1993

Effective: June 3, 1993

AT&T All PRO WATS IN NORTH DAKOTA

Usage Rates

Initial 30 Seconds or Fraction			Each Additional 6 Seconds or Fraction		
Day	Evening	N/W	Day	Evening	N/W
\$.1140	\$.0855	\$.0855	\$.0228	\$.0171	\$.0171

Rates are quoted in terms of initial and additional periods.

Usage Discount

AT&T Direct Dial - The discounts for AT&T Direct Dial usage apply to all eligible aggregate usage.

(C)

Usage Volume	Direct Dial Discount
Over \$ 0 - \$ 25	0%
Over \$ 25 - \$ 200	6%
Over \$ 200 - \$2,000	8%
Over \$2,000	20%

(C)

(C)

AT&T All PRO WATS Partners Option - 20%

CERTIFICATE OF SERVICE

I hereby certify that on this 11th day of October, 1996, an original and ten copies of the foregoing Late Filed Exhibit 25 was sent via over-night delivery to:

William Bullard, Jr.
Executive Director
South Dakota Public Utilities Commission
State of South Dakota
500 East Capitol Avenue
Pierre SD 57501

In addition, a true and correct copy was placed in the United States Mail, postage prepaid, addressed as follows:

Donald A. Low, Esq.
Sprint Communications Company L.P.
8140 Ward Parkway - 5E
Kansas City MO 64114

Brian B. Meyer
Meyer & Rogers
PO Box 89
Onida SD 57564-0089

John S. Lovald
Olinger Lovald Robbenmolt & McCahren PC
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U S WEST Communications, Inc.

RECEIVED

OCT 16 1996

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SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

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October 16, 1996

William Bullard, Jr., Executive Director
SD PUC, State Capitol
500 E. Capitol
Pierre, SD 57501-5070

Re: AT&T Late Filed Exhibit 23
Docket No. TC 96-107

Dear Mr. Bullard:

Enclosed herewith and marked "Confidential Information", please find AT&T Communications of the Midwest, Inc.'s late filed exhibit number 23, constituting AT&T intrastate and interstate minutes of use for 1995.

Pursuant to the general rules of practice before the South Dakota Public Utilities Commission, specifically §20:10:1:41, AT&T requests confidential treatment of this information.

AT&T further states:

1. AT&T requests confidential treatment be extended to this information.
2. AT&T requests confidentiality for as long as this information remains with the Commission. When the Commission no longer has a need for this information, AT&T requests the return of this document to the undersigned.
3. Contacts concerning this information should be referred to: Ms. Mary Tribby, Attorney for AT&T, 1875 Lawrence Street, Denver, Colorado 80202, Phone - 303-298-6508.
4. AT&T requests confidential treatment under SDCL §19-13-20, as well as any other statutes and/or rules or protocols relating to proprietary/trade secret information.
5. AT&T further requests that this information be disclosed only to the Commissioners and those members of staff whose advice to the Commission would be essential. AT&T requests that none of this information be published

EXHIBIT

533

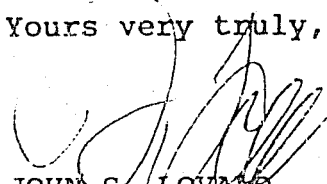
23

in any form whatsoever and should remain confidential even after the return of the information to AT&T.

6. This information should be deemed confidential because it discloses AT&T's 1995 South Dakota operating results. This data is not generally known outside AT&T and would be of particular interest to AT&T's South Dakota competitors.

7. AT&T requests that this information not be disclosed to any of the parties in this docket absent the execution and filing with the Commission of an appropriate confidentiality agreement.

Yours very truly,



JOHN S. LOVATO
Attorney at Law

JSL/le

cc: Parties of Record

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OCT 16 1996

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

IN THE MATTER OF THE ESTABLISHMENT) DOCKET TC96-107
OF SWITCHED ACCESS RATES FOR)
U S WEST COMMUNICATIONS, INC.)

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have served a true and correct copy of
LETTER TO WILLIAM BULLARD, JR. EXECUTIVE DIRECTOR, RE: AT&T LATE
FILED EXHIBIT 23, DOCKET NO. TC96-107 upon the following:

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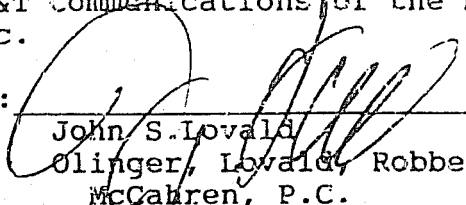
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Robert G. Marmet
Attorney at Law
DCT
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by first class mail, postage prepaid, on this 16th day of October,
1996.

AT&T Communications of the Midwest,
Inc.

By:


John S. Lovald
Olinger, Lovald, Robbennolt &
McCahren, P.C.
117 E. Capitol, PO Box 66
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CONFIDENTIAL

/

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DAVID A. PFEIFLE

October 16, 1996

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Mr. William Bullard, Jr.
Executive Director
South Dakota Public Utilities Commission
State of South Dakota
500 East Capitol
Pierre, SD 57501

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Re: TC 96-107
In the Matter of the Establishment
of Switched Access Rates for US
West Communications, Inc.

Dear Mr. Bullard:

Herewith hand delivered to you please find eleven copies of
Telserv's Long Distance and 800 Service Rates and Discounts,
filed under seal.

By copies of this letter to the other parties involved, I am
advising them that this document has been filed under seal.

Thank you.

Very truly yours,

RITER, MAYER, HOFER, WATTIER &
BROWN

By: 

Attorney for Telecommunications
Action Group

RCR Jr-wb

Enclosures

cc: William P. Heaston
Brian B. Meyer
Donald A. Low
Thomas J. Welk
John S. Lovald
David A. Gerdes
Robert Marmet

537

FILED
JUN 15 1996
SOUTH
DAKOTA
UTILITIES

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE ESTABLISHMENT) TC 96-107
OF SWITCHED ACCESS RATES FOR US) TELSERV'S LONG
WEST COMMUNICATIONS, INC.) DISTANCE AND 800
SERVICE RATES AND
DISCOUNTS

NOTICE

The information in this file is designated confidential under Chapter 20:10:01 of the rules of the South Dakota Public Utilities Commission. Disclosure of any such confidential information to a person other than commission members, employees, or agents is prohibited unless otherwise permitted by the commission.

CONFIDENTIAL

2

EXHIBIT DOCUMENT

TC96-107

Date	Exhibit Number	Document Description	Witness	Offered	Admitted	Denied
	1	Cost Study				
	2	Revised Cost Study				
10/9/96	3	Prefiled (U S WEST)	Culp	✓	✓	
" "	4	Prefiled (Staff)	Best	✓	✓	
" "	5	Prefiled (Staff)	Knadle	✓	✓	
" "	6	Prefiled (Staff)	Rislov	✓	✓	
" "	7	Prefiled (Sprint)	Siplon	✓	✓	
10/10/96	8	Prefiled (AT&T)	Parker	✓	✓	
10/4/96	9	Prefiled (TAG)	Simmons	✓	✓	
" "	10	Prefiled (TAG)	Noonan	✓	✓	
" "	11	Prefiled (TAG)	Cook	✓	✓	
" "	12	Prefiled (TAG)	Thurman	✓	✓	
" "	13	Prefiled (TAG)	Law	✓	✓	
" "	14	94-121 Slip		Spec. Notation		
" "	15	94-121 Order		" "		
" "	16	local phone bill	Culp	✓	✓	
	17	late filed SW rates		late filed		
	18	copy of TC 93108		Spec. Notation		
	19	Wolsey - one page Search order for 104-102		" "		
	20	late filed for Parker	Simmons	late filed		
	21	Turner letter K		" "		
	22	Tel SW. changes		late filed		
10/10/96	23	ATT letter to Missouri		" "		
" "	24	2nd copy of 2-50 ATT transl. in exhibit		Spec. Notation		
	25	AB late filed		late filed		
	26	USW rebuttal	Culp	✓	✓	
		Costs Report	"	✓	✓	

Confidential

2+ #	document description	witness	offered admitted
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28

ATT date reports
7, 8, 9, 10, 16, 17, 27

Culp

✓

✓

original
under Sec 1

29

source for Culp
ARS 62-2.1
1995 results non
Competitive Service
~~Source~~

11

1

✓

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

RECEIVED

OCT 16 1996

IN THE MATTER OF THE ESTABLISHMENT
OF SWITCHED ACCESS RATES FOR
U S WEST COMMUNICATIONS, INC.

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

TC96-107

HEARD BEFORE THE PUBLIC UTILITIES COMMISSION

PROCEEDINGS:

October 9 & 10, 1996
9:00 A.M.

Room LCR #1, Capitol Building
Pierre, South Dakota

PUC COMMISSION:

Ken Stofferahn, Chairman
Jim Burg, Commissioner
Laska Schoenfelder, Commissioner

COMMISSION STAFF
PRESENT:

Karen Cremer
Camron Hoseck
Harlan Best
Gregory A. Rislov
Bob Knadle
Dave Jacobson
William Bullard, Jr.

Reported by: Lori J. Grode, RMR

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I N D E X

<u>Witness</u>	<u>Page</u>
Wayne Culp	8
Robert Knadle	96
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Gregory Rislov	134
Joni Siplon	161
Fred Thurman	186
Jerry Noonan	215
Tom Simmons	230
Dennis Law	246
Susan Cook	255
Patricia Parker	261
Wayne Culp	307
Barbara Wilcox	341
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EXHIBITS

<u>No.</u>	<u>Description</u>
1	Cost Study
2	Revised Cost Study
3	Prefiled (U S West)
4	Prefiled (Best)
5	Prefiled (Knadle)
6	Prefiled (Rislov)
7	Prefiled (Sprint)
8	Prefiled (AT&T)
9	Prefiled (Simmons)
10	Prefiled (Noonan)
11	Prefiled (Cook)
12	Prefiled (Thurman)
13	Prefiled (Law)
14	94-121 Stip and Agreement
15	Commission Order, 94-121
16	Lovald Law Firm Phone bill
17	SD Tariff No. 1 Access Service
18	Order and Stipulation 93-108
19	Order on Switched Access Rates
20	Midco intrastate and interstate percents
21	Midco Retailers contract
22	Tel Serv's Contract
23	AT&T intrastate minutes of use in S.D.
24	Rate List
25	AT&T North Dakota price schedule
26	U S West Rebuttal Statement
27	U S West Attachment A, 96-107
28	AT&T Data Request
29	U S West Income Statement

P R O C E E D I N G S

THE CHAIRMAN: Let's begin the hearing then on the record. This is in the hearing for Docket TC96-107, in the Matter of the Establishment of Switched Access Rights for U S West Communications, Incorporated.

The time is approximate 9:00 o'clock. The date is October 9th, 1996; and the location of this hearing is LCR 1 in the State Capitol Building.

I'm Ken Stofferahn, Commission Chairman. Commissioners Schoenfelder and Burg are also present. I'm presiding over this hearing. This hearing was noticed pursuant to the Commission's Order for a Notice of Procedural Schedule and Hearing issued August 28th, 1996.

The issue at this hearing is whether U S West's application to increase its carrier common line access charge, interconnect, and local switching rates shall be granted.

All parties have the right to be present and to be represented by an attorney. All persons so testifying will be sworn in and subject to cross-examination by the parties. The Commission's final decision may be appealed by the parties to the State Circuit Court and State Supreme Court.

1 At this time I'll take appearances of the
2 parties. U S West.

3 MR. HEASTON: William P. Heaston on behalf of
4 U S West Communications.

5 MR. WELK: Tom Welk from Sioux Falls on
6 behalf of U S West Communications.

7 THE CHAIRMAN: Staff.

8 MS. CREMER: Karen Cremer with Commission
9 staff.

10 THE CHAIRMAN: Sprint.

11 MR. TIESZEN: Richard Tieszen, Pierre
12 attorney, on behalf of Sprint.

13 THE CHAIRMAN: MCI? Not here. Express?

14 MR. COIT: Mr. Chairman, Express filed a
15 Notice of Withdrawal yesterday afternoon.

16 THE CHAIRMAN: Okay, withdrew. AT&T.

17 MR. LOVALD: John Lovald, Pierre attorney, on
18 behalf of AT&T.

19 THE CHAIRMAN: Telecommunications Action
20 Group.

21 MR. PFEIFLE: David Pfeifle, of Pierre, on
22 behalf of TAG. Also Jerry Wattier, Pierre attorney, on
23 behalf of TAG.

24 THE CHAIRMAN: Midco Communications?

25 MR. SIMMONS: Tom Simmons here for Midco

1 Communications.

2 THE CHAIRMAN: Tel Serv?

3 MS. COOK: Susan Cook representing Tel Serv.

4 THE CHAIRMAN: FirstTel?

5 MR. THURMAN: Brad Thurman representing
6 FirstTel.

7 THE CHAIRMAN: TCIC, Denny.

8 MR. LAW: Denny Law.

9 THE CHAIRMAN: DCT.

10 MR. HERTZ: Tom Hertz representing Dakota.

11 THE CHAIRMAN: SDITC withdrew.

12 MR. COIT: Express was the party.

13 THE CHAIRMAN: All right. It's too bad we
14 don't have room at the table for all the parties, but I
15 guess I'll try not to forget anybody. I think I have
16 already, but you're late. David, who do you represent
17 today?

18 MR. GERDES: Mr. Chairman, thank you. My
19 name is David Gerdes of May, Adam, Gerdes & Thompson;
20 and I represent MCI Telecommunications Corporation.

21 THE CHAIRMAN: Are there any preliminary
22 motions? Opening statements by anybody? U S West.

23 MR. HEASTON: Just a brief opening statement,
24 Mr. Chairman. U S West filed the tariff and supporting
25 study and supporting outputs from the cost model as

1 required by Commission rule. We filed it because the
2 Commission rule required that we do this every 3
3 years. We filed that and the tariff and the prices in
4 the tariff, which are the result of this -- were the
5 outputs of the use of the Commission's model. We
6 believe we conducted the study, and we believe we ran
7 the model consistent with the Commission rules, and
8 we're prepared to produce evidence to establish that so
9 that we can get the approval we need to provide
10 switched access consistent with Commission rule.
11 That's all I have.

12 THE CHAIRMAN: Any other opening statements?
13 Hearing none, we'll go right to the testimony. US West
14 may call your first witness.

15 MR. HEASTON: We'll call Wayne Culp.

16 WAYNE CULP,
17 called as a witness, being first duly sworn,
18 was examined and testified as follows:

19 DIRECT EXAMINATION

20 BY MR. HEASTON:

21 Q. Would you state your name.

22 A. My name is Wayne G. Culp.

23 Q. And by whom are you employed?

24 A. U S West Communications.

25 Q. And what are your responsibilities with U S

1 West Communications?

2 A. My responsibilities is I'm a director of
3 state finance, and I do the regulatory finance. I
4 represent the company in the state of South Dakota,
5 Montana, Wyoming, and North Dakota.

6 Q. In front of you is what has been marked as
7 Exhibit 3 in this hearing. Do you recognize that?

8 A. I believe it's what I looked at last night,
9 you showed me last night, and I believe it's my direct
10 filed testimony in this docket.

11 Q. Does that include Schedules 1 through 4?

12 A. Yes.

13 Q. Do you have any additions, corrections or
14 delations to make to that testimony?

15 A. On Schedule 2, if I find Schedule 2 here,
16 page 3 of schedule 2, on row 26, the column entitled
17 Exchange Sales, 56 exchanges, there's a zero at the
18 bottom number there, and that number should be a
19 negative. So it should have a parentheses, 35, 046.

20 Q. Would you please write that in in pencil and
21 initial it, please?

22 A. (Witness complied.)

23 Q. Do you have any other corrections to make to
24 the testimony?

25 A. No other changes.

1 Q. If I were to ask you the questions contained
2 in that testimony today, would your answers be the
3 same?

4 A. Yes.

5 MR. HEASTON: I would offer Exhibit 3 as
6 Exhibit 3.

7 THE CHAIRMAN: Any objections? It's so
8 admitted.

9 Q. Mr. Culp, by way of summary, would you
10 briefly explain what you and your team did in compiling
11 that Exhibit 3?

12 A. Well, in compiling this Exhibit 3, we start
13 with the ledger from U S West Communications for the
14 state of South Dakota. We take the ledger data from
15 the company, and we first -- we first look at the test
16 period, and the test period was 1995, in the calendar
17 year 1995. And we review the test year ledger data for
18 applicable and known measurable changes. And we do
19 that scrubbing of the test period, and then we take
20 that adjusted data and we input that into the model
21 provided by the Commission that satisfies the rules.
22 And then the model cranks out the bottom line number,
23 and that's what's here in front of us.

24 Q. So the model you used was the model that is
25 determined by the Commission pursuant to their rules?

1 A. Yes. It was the model given to us by the
2 Commission staff.

3 Q. In what form did they give that model to you?

4 A. They gave us a diskette.

5 Q. And you used that diskette?

6 A. Well, we take that diskette and put it in our
7 PC. It's a Lotus spreadsheet you put in, put the
8 inputs in, and give it back to the staff.

9 Q. And Schedules 1 and 4 attached to your
10 exhibit, are those the outputs that you described
11 earlier?

12 A. Those are the outputs from the model. That's
13 the printout from the model, from the staff model.

14 Q. The staff has recommended a little over a 6.1
15 cent access price in their testimony. What is U S
16 West's position on that?

17 A. Our position on that would be just to accept
18 that position. And the primary reason for doing that
19 it's -- for us, it's just not worth it to argue all
20 those issues. It's fairly similar to our cost level,
21 and we just accept that level.

22 Q. There is a concern about subsidy and about
23 non -- whatever the term, nonbased cost element such as
24 common carrier line charge, the CCLC. What is the
25 CCLC?

1 A. Well, the CCLC is the carrier common line
2 charge you find in the rules. You go back to the
3 history of the rules, these rules in South Dakota were
4 -- came out of several dockets that started, and I
5 don't remember the year, like '92 whatever. And we
6 were all here and argued about and put these rules
7 together.

8 But the carrier common line is the allocation
9 of the local Loop. It's the same thing that's gone in
10 the FCC side with Part 36. In South Dakota the rules
11 state we will allocate 25 percent of the Loop cost to
12 the carrier common line. It's kind of -- a note on the
13 federal side, we do the same thing. We allocate 25
14 percent of the Loop cost to the common line.

15 But the FCC has two rate treatments for the
16 common line. They had -- they have the end user common
17 line, and we all know to be the 3.50 on residents and
18 \$6.00, whatever it is on business. And then they also
19 have a carrier common line, but it's not carrier common
20 line on the interstate side. It's much smaller than it
21 is on the intrastate side because they have two
22 elements, and on interstate side we only have one
23 element of the carrier common line.

24 MR. HEASTON: I have no further questions
25 Mr. Culp is available for cross-examination.

1 THE CHAIRMAN: Cross-examination, staff?
2 Miss Cremer.

3 MS. CREMER: Thank you, Mr. Chairman.

4 CROSS-EXAMINATION

5 BY MS. CREMER:

6 Q. Good morning, Mr. Culp. My name is Karen
7 Cremer with Commission staff. Could you please explain
8 to all of us what Part 32, Part 36, and Part 64 is?

9 A. Okay. But you didn't ask the Part 69.

10 Q. I didn't want to know 69. You can include
11 that.

12 A. Okay. Part 32 is the universal system of
13 accounts. The FCC, in their rules and regulations, has
14 Part 32 -- back in my attache I have a version of the
15 CFR and it lists all the parts. And Part 32 is the
16 system of accounts that all of the CLASS A companies
17 use as to our system of accounts to categorize our
18 expenses investments revenues. It's how we set up our
19 ledger. So we're all required to do that. I believe
20 that these rules in South Dakota also tell us to follow
21 Part 32. It's a traditional thing for us to do.

22 Part 36 are the separations rules. These
23 rules have been in place for years and years. They go
24 back. They determine how to separate costs.
25 Originally it was determined how to separate costs

1 between interstate and intrastate. It still basically
2 does that. It sets up the procedures of how you take
3 investments and expenses and how you determine which
4 jurisdiction they fall under. And there's many
5 allocations factors that go into that. Half of this
6 model here has a Part 36 basis to it. And if you
7 actually look at the spreadsheets, a lot of them will
8 say Part 36 up there, and that's the basis of where
9 that analysis is from. So it determines interstate and
10 intrastate.

11 Part 64 is the docket, or is the set of rules
12 where we determine what is dereg on an FCC basis. And
13 it basically sets up for -- and for South Dakota it's
14 basically inside wire and voice mail. There might be
15 some little trickle products, but those are the main
16 products. It's still a very small part of our
17 business, but the FCC has deregulated that on an FCC
18 basis.

19 And so just a little process of how that
20 works is you start with a Part 32 books. And then you
21 identify what is FCC dereg, and you subtract that from
22 the Part 32 books. And in doing that what you have
23 left is what we call subject to separations. If you
24 look in ARMIS you'll see a column that says subjects of
25 the separations. That is what we apply Part 36 to.

1 And if we apply Part 36 to that, we'll come up with
2 what's interstate. And after we know what's
3 interstate, then we what know what's intrastate.

4 Now, you didn't ask about Part 69.

5 MR. HEASTON: Mr. Culp, you used the acronym
6 ARMIS. Would you explain for the Court Reporter what
7 that means?

8 A. I can't remember what ARMIS, what the acronym
9 stands for, but I'll tell you what the --

10 MR. HEASTON: What the acronym is, please.

11 A. A-R-M-I-S. ARMIS is the set of reports that
12 U S West and all the other companies provide to the
13 FCC, and it's -- there's some quarterly reporting and
14 annular reporting, and that's the basis they look at.
15 and is the basis for it. It comes from our ledger and
16 it's -- it used to be a form report, now it's an ARMIS
17 report and is what you report to the FCC.

18 I was going to condition it with Part 69.
19 The Chapter 29 in the South Dakota Rules is the South
20 Dakota basis of Part 69. And that's where we actually
21 develop the actual access rate elements. So in South
22 Dakota we have Chapter 28 and we have Chapter 29.
23 Chapter 28 is South Dakota's version of Part 36, the
24 interstate-intrastate separations. Chapter 29 is the
25 Part 69 equivalent in South Dakota which actually

1 allocates the intrastate costs down to the three rate
2 elements.

3 Q. Did you say what the FCC dereg is? Did you
4 explain? You talk very quickly and I wasn't sure.

5 A. I'll do it again. The FCC has deregulated
6 several products for U S West and for other companies,
7 and in the process we subtract that out before it goes
8 into the Part 36 analysis.

9 Q. Okay.

10 A. And that's how we do that.

11 Q. Could you explain to us how total company
12 numbers get allocated to Part 36?

13 A. How total company? Okay. I kind of did a
14 little bit, but I'll redo it to answer you here. We
15 start with total company numbers we identify through
16 FCC Part 64 to identify dereg, and we subtract that
17 from -- we subtract that from total company numbers,
18 come up with subject separations. That's the input to
19 the Part 36 analysis and the input to what we used for
20 the analysis for Chapter 28 here.

21 Q. And then could you explain to me how you
22 developed the return on equity?

23 A. Well, the return on equity, by accepting the
24 staff's position, we're accepting Mr. Rislov's return
25 on equity on 11.5.

1 MS. CREMER: Okay. That's all I'd have.
2 Thank you.

3 THE CHAIRMAN: Sprint, Mr. Tieszen?

4 CROSS-EXAMINATION

5 BY MR. TIESZEN:

6 Q. Mr. Culp, my name is Dick Tieszen; and I'm an
7 attorney here in Pierre. I have just a few questions
8 for you.

9 Would you agree that under the 1996
10 Telecommunications Act it appears that no regulation is
11 to be permitted or, in fact, is to be preempted if the
12 effect of that regulation would be to prohibit the
13 ability of a company to enter the market or to provide
14 intrastate telecommunications service.

15 MR. HEASTON: Mr. Chairman, I'm going to
16 object. I don't see the relevancy of that question,
17 nor do I know Mr. Culp is qualified to testify as to
18 the terms of the 1996 Telecommunications Act.

19 THE CHAIRMAN: I'll overrule it, and you can
20 take care of that on redirect if you wish. If the
21 witness can't answer, he can just say so.

22 A. My answer is no. I was interrupted by my
23 attorney.

24 Q. No, you don't believe that that's what it
25 provides?

1 A. Could you re-word his question? Could you
2 read back the question?

3 (Question read by the Reporter.)

4 A. You set me up with that question, and I'm not
5 going to agree it appears. And I can't factually tell
6 you what it does, so I'm not going to agree to your
7 question. I'm just going to say no.

8 Q. Is it your understanding of the Act that it
9 would prohibit that kind of regulation?

10 A. My answer remains the same as your earlier
11 question.

12 Q. Is your answer that you don't know what the
13 Act provides in that regard?

14 A. I am not going to be a subject matter expert
15 on the Act in front of the Commission here today.

16 Q. Okay. I just wanted to find out what your
17 answer is. And as I understand it now, you're telling
18 me you don't feel your background allows you to offer
19 an opinion in that regard?

20 A. Well, I have read the Act, and I am working
21 with the Act like everybody in this room is. But I am
22 not a subject matter expert for the Act in front of
23 this Commission here today. I'm a subject matter
24 expert on the South Dakota rules and our application of
25 the rules and the cost study.

1 Q. Okay. Do you agree that a rate increase of
2 the magnitude that's being proposed in this petition
3 would likely have a significant impact on all of the
4 long distance carriers in the state?

5 A. I don't know what impact it's going to have
6 on all of the long distance companies in this state. I
7 do know that in Docket 93-108 -- and I believe Sprint
8 was part of that, and I believe Sprint was your
9 client. Sprint was -- also signed the stipulation in
10 that. But the cost was 6.7 cents for access. So all
11 the companies in this room knew that our costs were 6.7
12 cents back in 1993 as we worked through this docket, so
13 that's no new information to people. That was our
14 cost, and so all the companies here knew that.

15 Q. So are you saying there is or there is no
16 significant impact on companies then?

17 A. I don't know what the impact is. I know that
18 the -- well, I don't know. I suspect the margin on
19 toll for a lot of companies in the state is very high.
20 And I say that because I know the margin on toll for
21 U S West itself is very high. And I think that -- I'll
22 just leave it at that.

23 Q. Well, you don't disagree, do you, that
24 there's a major impact on the carriers with this kind
25 of an increase?

1 A. Is there a major impact?

2 MR. HEASTON: Excuse me, I think it's been
3 asked and answered. He said he didn't know.

4 THE CHAIRMAN: Go on, Mr. Tieszen.

5 Q. Well, let's see if you would agree with
6 this: Would you agree that the 1996 Telecommunications
7 Act encourages a forward-looking cost based
8 telecommunications environment?

9 A. Well --

10 MR. HEASTON: I'm going to object to that
11 one. I mean we're dealing here with, one, with a cost
12 study that's created by Commission rules, whatever that
13 cost base is. If we can tie that to how it's relevant
14 to that, I guess I can understand relevancy, but I
15 really don't understand the relevancy of going into
16 other types of costing methodologies.

17 THE CHAIRMAN: Mr. Tieszen.

18 MR. TIESZEN: Mr. Chairman, it would be our
19 position that the '96 Telecommunications Act, in fact,
20 does suggest that direction. And if the existing rule
21 and its application of that rule here in this petition
22 promotes a different result, then it would be our
23 position that that rule is not something the Commission
24 should necessarily blindly apply or follow, but should
25 consider in view of how it relates to the new Act. And

1 that would be the relevancy of this question. The
2 question is basically whether it's moving a different
3 direction in the Act.

4 MR. HEASTON: Mr. Chairman, I guess I would
5 like counsel, then, to point out in the Act where it
6 talks about forward-looking cost and the use of the
7 forward-looking cost. I don't think he can find that
8 in the Telecommunications Act in '96, and I don't know
9 that he can find that it applies specifically to
10 switched access.

11 THE CHAIRMAN: I'm going to sustain the
12 objection. Move ahead.

13 Q. Let me ask this of you then: I presume
14 you've read the Act?

15 A. I've read the Act.

16 Q. Probably one of the few people in the room
17 that has?

18 A. I think the people on my side of the table
19 have read the Act.

20 Q. You agree, don't you, that the Act certainly
21 has a cost based approach in it?

22 A. Let me ask this question? Where in the Act
23 does it have a cost based approach?

24 Q. I'm asking you.

25 A. Which section of the Act does it have a cost

1 based approach?

2 Q. I'm asking you whether you believe it has a
3 cost based approach or whether it moves away from it?

4 A. I think in certain areas it does. But I
5 would say in Section 251 of the Act, which is for local
6 interconnection, that's not for switched access. I
7 think for local interconnection it talks about cost in
8 there. I don't see anywhere in there that it says
9 anything about is for switched access. I don't recall
10 that anyway.

11 Q. Is switched access for U S West a large
12 contributor to the common costs of U S West?

13 A. Is switched access a large contributor to the
14 common cost? Okay. Now, remember, I'm a financial
15 witness; I'm not an economist. Okay? Switched access
16 is a revenue source, particularly on the intrastate
17 side. Okay? And we have been pricing switched access
18 in the state of South Dakota around 3 cents for as long
19 as I've been on the job for South Dakota, which has
20 been five or six years now. And our costs, as we said
21 three years ago, were 6.7 cents. Now, that's financial
22 costs, that's embedded costs. So has it been
23 contributing towards our costs the way that this
24 Commission determines its costs? No. From an
25 economist's perspective? Well, ask an economist.

1 Q. Are you saying you don't know whether it's
2 viewed as a large contributor to common costs or not?

3 A. All I'm saying is it's a revenue source. And
4 I'm saying it's not covering the cost as defined by
5 this Commission in Chapter 28 and 29.

6 Q. And it's a large revenue source, is it not,
7 in terms of it being a source of subsidy for the
8 company in order to provide other services?

9 A. Okay. Let's -- you used the word subsidy.
10 Let me tell you my view on subsidy because what access
11 is is a source of revenue for the company. 25 percent
12 of the Loop costs by these rules here in South Dakota
13 are allocated to the carrier common line. And really
14 the carrier common line is what we're really talking
15 here. The old carrier common line, the one that's in
16 place today, is .6 something. It's .6 cents, I'll say,
17 and we want to raise it to 4 cents. At least that's
18 what the costs say. The costs say it's at 4 cents.
19 And then that's 25 percent of our -- 25 percent of our
20 Loop cost. If we don't -- if we say that the carrier
21 common line isn't there, this Commission here has to
22 look and say where else is U S West going to recover
23 that cost?

24 And really, frankly, the only place that's
25 left right now is going to be on the residential

1 subscriber. So if this Commission determines it wants
2 to change its rules, change its policy and shift this
3 from a carrier common line to the residential customer,
4 it has that prerogative to do it. But the rules are
5 what they are today, and the rules define that the cost
6 -- the carrier common line and it's being contributed
7 to the carrier.

8 Q. Mr. Culp, I don't think my question was why
9 you do certain things. I think my question was whether
10 or not this is a source of subsidy for your company?

11 A. Well, I'm not going to claim what is or is
12 not a subsidy. I'm just claiming it's a revenue source
13 for the company.

14 Q. And that revenue source is utilized, is it
15 not, in order to provide other services?

16 A. To provide other services? It's not --
17 there's nothing -- this doesn't provide other services,
18 no.

19 Q. Does it subsidize other services?

20 A. It doesn't subsidize other services from a
21 financial perspective, it's a revenue source.

22 Q. Well, let me ask this: If it is a revenue
23 source and it's used to cover other services, if it's
24 increased, will it not allow your company to expand the
25 use of that revenue in other ways?

1 A. I won't agree with the premise of the
2 question. The question is, is it that. I said it's
3 not any of those things.

4 Q. Tell me how this application or the granting
5 of this increase is going to serve the consumer in
6 South Dakota in your mind.

7 A. In my mind it will serve the consumer in
8 South Dakota because it will -- it -- by moving 25
9 percent of the Loop cost to the carrier common line, we
10 will be able to maintain the rates we have in place for
11 residential customers today. If we move it -- if we
12 move this cost out of carrier common line, we're right
13 in front of this Commission saying, hey, our costs --
14 this 25 percent of our Loop costs is no longer being
15 recognized as the cost for the carrier common line, so
16 now it's recognized for cost for the residents.

17 Q. So how is the consumer going to benefit?

18 A. The consumer will be able to maintain a lower
19 one party rate.

20 Q. From U S West?

21 A. U S West.

22 Q. In terms of other providers, will they also
23 be able to maintain that kind of rate?

24 A. I can't speak for other providers.

25 Q. Well, you'd agree that they're not going to

1 experience that from your competitors, are they?

2 A. Well, if they -- if on a wholesale basis they
3 buy a product, on a wholesale basis they'll buy it and
4 the discount will be applied to it and they'll be able
5 to sell it at a retail rate, less the wholesale
6 discount.

7 Q. At an increased rate?

8 A. Where is the increased rate?

9 Q. Isn't the consumer going to experience an
10 increased rate from other long distance carriers if
11 this rate is granted?

12 A. I was talking about the residential
13 subscriber and their basic telephone rate that they pay
14 today.

15 Q. And do you feel it's going to be what?

16 A. It will be increased. It would be increased
17 if the cost is shifted from the carrier common line to
18 the local rate.

19 Q. Okay.

20 A. That was the point I was trying to make.

21 MR. TIESZEN: All right. Thank you. I have
22 no further questions.

23 THE CHAIRMAN: MCI, Mr. Gerdes?

24 MR. GERDES: Thank you, Mr. Chairman.

25

CROSS-EXAMINATION

1
2 BY MR. GERDES:

3 Q. Morning, Mr. Culp.

4 A. Morning.

5 Q. Would you agree with me that the Federal
6 Telecommunications Act of 1996 contemplates
7 interconnection and network elements charges based on
8 cost?

9 A. I believe that's in part -- let me ask the
10 question of you. Is that in Part 251?

11 Q. The citation would be Section 252 (C) 1-A.

12 A. I believe that's -- I believe that's -- you
13 know, I guess if you want to get that on the record,
14 the Telecommunications Act through me, you can do
15 that. I mean if you read it and you give me a copy and
16 I read it back to you, I'll say, yes, it's that.

17 Q. Mr. Culp, I was asking you what is your
18 understanding. Do you understand the Federal
19 Telecommunications Act to provide for interconnection
20 and network element charges to be based upon cost? Do
21 you understand that?

22 A. If that's what you're reading and if that's
23 it, I understand that, yes.

24 Q. Okay. Walking around yesterday before you
25 walked in here, did you know it was based on cost?

1 A. That the word cost is in there? Yes, I knew.

2 Q. Okay. Can you also agree with me that the
3 proposed FCC rules contemplate total element long run
4 incremental cost analysis of costs?

5 A. For what rules?

6 MR. HEASTON: Object.

7 A. What proposed rules?

8 MR. HEASTON: I need to object to that. I
9 don't think there's anything in the rules that applies
10 to total element long run incremental cost to switched
11 access. In fact, under the rules it's specifically
12 excluded in there and, therefore, I don't see the
13 relevance to this proceeding.

14 THE CHAIRMAN: That is correct. And I'll
15 sustain that objection then.

16 MR. GERDES: Mr. Chairman, may I inquire of
17 the witness whether or not he's familiar with the
18 concept of total element long run incremental cost?

19 THE CHAIRMAN: You can ask him anything you
20 want.

21 Q. Are you familiar with the concept of total
22 element long run incremental costings?

23 A. I'm familiar with it.

24 Q. And would you agree with me that that is a
25 method of analyzing costs that is different from the

1 fully-distributed cost model that is contemplated by
2 the South Dakota rules?

3 A. No question about it.

4 Q. Okay. Thank you. You were talking about
5 Part 32 accounting. Are you familiar with the term
6 GAAP accounting?

7 A. Yes.

8 Q. That's generally accepted accounting
9 practices?

10 A. Principles.

11 Q. Excuse me, principles. Some say practices,
12 some say principles.

13 A. I've always heard principles.

14 Q. In any event, would you agree with me that
15 Part 32 accounting is not consistent with GAAP
16 accounting?

17 A. That's what our auditors would tell you, yes.

18 Q. Okay. Also would you agree with me that
19 costs analyzed under Parts 32, 36, and 39 produce
20 economic cost base access rather than allocated cost
21 base access?

22 A. I believe you have it exactly backwards.

23 Q. I think I do too.

24 A. Yes.

25 Q. I asked it wrong. Would you agree with me

1 that those Parts 32, 36, and 39 produce an allocated
2 cost base access rather than an economic cost base
3 access?

4 A. I won't use -- allocated is part of it, but
5 it's a fully distributed cost base access.

6 Q. Okay. It's allocated based on a formula
7 that's in the rule?

8 A. That's right.

9 Q. Okay. You and Mr. Tieszen had a little talk
10 about subsidy. You wouldn't disagree with Mr. Lehner
11 if Mr. Lehner were to have told the Commission
12 yesterday that there is undoubtedly a subsidy in the
13 CCL which would have to be replaced if that were no
14 longer a component of U S West's costs?

15 A. I'm not going to -- I never disagree with --
16 well, no, I wouldn't say with Mr. Lehner. I don't know
17 what he said here. I'll qualify my answer. My
18 perspective is one from a financial perspective, not
19 from an economist's perspective, and I think that's the
20 major difference.

21 Q. There's a little extra money there that's
22 applied toward local service, isn't there, for those of
23 us that are not economists or accountants?

24 A. The Loop costs are a significant part of our
25 business, okay? And the way that Part 36 is set up,

1 it's 25 percent of the Loop cost goes into the
2 interstate jurisdiction. And we all know how the FCC
3 carrier -- they have a carrier common line and they
4 have the end user common line. That's where the 3.50
5 comes from. This Commission has chosen to adopt the
6 same 25 percent allocated for Loop costs in South
7 Dakota when these rules were developed here and put in
8 place.

9 And so when you use the word subsidy, you
10 know, it's from an interconnection basis or something
11 like that, you would be looking at a completely --
12 you'd be looking at it from a different perspective.
13 But for costs here, I just -- I get offended by the
14 word subsidy to say this is subsidy, but from that
15 perspective I understand. But mine is from the rules
16 and the fully distributed basis.

17 Q. Well, if you don't want to call it subsidy,
18 what would you like to call it? A little extra money?

19 A. I won't call it extra money at all. I said
20 the costs are put on the carriers. Probably -- the
21 carriers probably don't like the costs, but that's
22 where they are. If they're not put there, they're
23 going to be put on the residential rates.

24 Q. That's most of it pays for local service.
25 Can we agree on that, for paying for the part of the

1 cost of local service?

2 A. It's a cost. It's a cost allocation
3 determined the cost. Okay? That's what Part 36 does.

4 Q. Okay. And then if you pay those costs,
5 that's a matter of paying for part of local service,
6 isn't it?

7 A. For paying for the Loop?

8 Q. Yeah.

9 A. Paying for the Loop.

10 Q. Okay.

11 A. So you're saying the Loop and local service
12 are one and the same, and the FCC and this Commission
13 has not bought into that in the past. Maybe they'll
14 change, but in the past they haven't.

15 Q. So we'll agree it's a way of finding a little
16 extra money for paying for the local Loop?

17 A. It's a contribution towards the local Loop.

18 MR. GERDES: Okay. Thank you. That's all.

19 THE CHAIRMAN: AT&T, Mr. Lovald?

20 CROSS-EXAMINATION

21 BY MR. LOVALD:

22 Q. Mr. Culp, can you tell me what the current
23 price of U S West interstate access for calls
24 originating in South Dakota is?

25 A. Current price for --

1 Q. Interstate switched access.

2 A. No, I can't, I'm sorry. If that's needed, we
3 can find it and provide it, but I don't have it with me
4 and I'd go to someone else to get the number.

5 Q. Would you be willing to provide that for
6 purposes of our record here today?

7 A. Sure.

8 Q. Would you also agree to provide the price for
9 interstate access for calls both terminated and
10 originated in South Dakota?

11 A. Sure.

12 Q. Your current rate for intrastate switched
13 access is 3.14; is that correct, Mr. Culp?

14 A. Well, that was the stipulation. And to
15 simplify here, let's just say yes.

16 Q. That's currently what you're charging?

17 A. Generally speaking, yes.

18 Q. And as we speak, you haven't received
19 authority at this point to go any higher?

20 A. Oh, that's correct.

21 Q. Do you agree that in Docket 93-108 -- I
22 believe you indicated you participated in that docket
23 in some fashion?

24 A. Oh, yes.

25 Q. -- that it was U S West's position that the

1 3.14 rate mirrored the interstate rate?

2 A. At that point I think it was mirroring the
3 interstate rate, yes, or it was close.

4 Q. Was it the position of U S West's corporate
5 policy at that time that it should mirror the
6 interstate rate?

7 A. Well, corporate policy, we were the only
8 state of the 14 that was. And we've always had the
9 lowest access rate intrastate access rate here in South
10 Dakota. And at that time we were trying to keep the
11 price for intrastate access low. That was the policy.
12 It wasn't a policy to mirror, it was to keep the
13 intrastate access, or to keep equity in intrastate
14 access low. I believe that was the policy. From my
15 perspective that's what I remember.

16 Q. You would agree it was stated in that docket
17 that the intrastate rate in South Dakota at that time
18 should mirror the interstate rate?

19 A. No, I don't think we cared, but we wanted to
20 keep it low. That was our policy. I don't remember
21 what we said in the stipulation, but it can stand on
22 its own.

23 Q. Do you agree that since Docket 108 that the
24 interstate rate has dropped?

25 A. I suppose so.

1 Q. Do you know what the current U S West
2 corporate position is on mirroring the interstate
3 access rate?

4 A. There is no policy that states that's what we
5 should price intrastate access. I'd like to qualify
6 that though. I'm a fully-distributed cost expert, not
7 a pricing expert. Okay? So --

8 Q. Are you familiar with Barbara Wilcox?

9 A. She's in this room.

10 Q. Correct. You know her?

11 A. Yes.

12 Q. And she's a U S West employee?

13 A. Yes.

14 Q. And she's testified in various U S West
15 dockets?

16 A. She sure has.

17 Q. Would you disagree with me that she recently
18 testified before the Colorado Commission in the local
19 transport restructure docket that the intrastate access
20 rate should mirror the interstate rate?

21 A. She may have. She may have stated that. She
22 may have. I don't know what her position is. I don't
23 know that document, and I don't know what she said
24 there. So as an expert I can't --

25 Q. Has U S West done a TSLRIC study of the cost

1 of intrastate access in South Dakota?

2 A. I don't know. I'm kind of embarrassed. I
3 mean we have done them in the past. I don't know how
4 current it is, but there's a study out there. It may
5 be a couple years old, it may be current, I don't know.

6 Q. If there's a study available, would you be
7 willing to make that as a part of the record in this
8 docket?

9 MR. HEASTON: On behalf of U S West, I don't
10 think so. I don't see the relevancy of a TSLRIC study.

11 THE CHAIRMAN: I agree since that whole
12 methodology is under dispute we're going to confine our
13 decisions here on the Commission to our present
14 intrastate access rules.

15 COMMISSIONER SCHOENFELDER: I think that's --

16 THE CHAIRMAN: You disagree?

17 COMMISSIONER SCHOENFELDER: Yes.

18 Q. Mr. Culp, I think in your testimony you
19 indicated you were a witness in the rate docket in this
20 state, 94-121?

21 A. Yes, I was.

22 Q. Do you agree, Mr. Culp, are you familiar with
23 the Commission's Order approving the stipulations in
24 that docket?

25 A. Yes.

1 Q. Subject to check, would you agree with me
2 that paragraph 12 of the Commission's Order and
3 findings reads, "A significant portion of the increased
4 capital recovery (depreciation) will be expensed with
5 no corresponding reimbursement by U S West customers"?

6 A. Well, subject to check.

7 Q. Do you agree that the Stipulation and the
8 Order entered by the Commission in Docket TC94-121 also
9 dealt with switched access?

10 A. Well, I guess it dealt with a price plan that
11 contained all our services, so, yes.

12 Q. Are AT&T, MCI, Midco, and the other
13 intervenors in this docket customers of U S West as far
14 as switched access is concerned?

15 A. Very definitely.

16 Q. Adjustment 21 that you made involves
17 represcribed depreciation; is that correct?

18 A. Yes.

19 Q. And you cited your source of authority for
20 doing that as docket 94-121; correct?

21 A. That is the -- that represcribed depreciation
22 is the depreciation we are booking in this state for
23 U S West today. And we're basing that basically on the
24 authority from the 121 docket.

25 Q. But would you agree with me in laymen's terms

1 that the represcribed depreciation we're talking about
2 is really it's catch-up depreciation in addition to
3 what you already had included in your rate base?

4 A. I don't agree with the word catch-up.

5 Q. It's depreciation that would not otherwise be
6 authorized under the FDC model?

7 A. I don't know where the FDC model authorizes
8 any levels of depreciation. It sets -- go to the books
9 and pull the depreciation expense off the books and put
10 it in your model.

11 Q. But would you agree that your adjustment
12 under 21 added an additional seven million dollars or
13 thereabouts to the depreciation to the 21 -- 29 million
14 already included in the rate base?

15 A. Just a minute. You're using some terms very
16 loosely, okay. It added seven -- basically seven
17 million dollars in expense. Okay?

18 Q. Depreciation expense?

19 A. Depreciation expense. That's the annual
20 level that was the represcribed depreciation that we
21 began booking with the acceptance of the Commission's
22 Order and the 121 docket. Okay? You said the rate
23 base. The rate base is the amount investment we had.
24 It had no effect. It had a minor effect on our rate
25 base because of additions of accumulated depreciation,

1 but we're getting technicalities now. The effect on
2 the rate base was minimal. The effect on our cost of
3 service was seven million dollars.

4 Q. But you would agree you add the seven million
5 to the depreciation expense that was already there?

6 A. Well, yeah. It was what's on the books, and
7 basically it's a view of what's on the books and what
8 is the known and measurable level and we add the
9 difference on.

10 Q. And the difference was some seven million?

11 A. Yes.

12 Q. What is the source of the depreciation rate
13 adjustment? Now, I'm not talking about the Commission
14 source. I'm talking about the costing source for it.

15 A. Well, it's depreciation studies that were
16 presented to the staff and was argued in the 121
17 docket.

18 Q. Did it come from an incremental cost study?

19 A. I don't think there's -- did it come from an
20 incremental cost study? Help me. Incremental cost
21 study?

22 Q. As opposed to FDC.

23 A. As opposed to FDC? It's from the company's
24 ledgers is where our depreciation comes from as the
25 input from the model.

1 Q. Is it based on economic lives?

2 A. On the company's ledger, yes.

3 Q. Is this based on a study from Technology
4 Futures, Inc.

5 A. That was part of the -- that's part of the
6 analysis to determine those rates. We don't just use
7 their numbers. I mean you have several sources to
8 develop the numbers. It's not just their study. We
9 don't accept all their recommendation.

10 Q. But in this case you used their approach; is
11 that correct?

12 A. Their approach was used.

13 Q. Mr. Culp, can you tell me what the financial
14 rationale is for adopting these financial lives in a
15 fully distributed cost environment?

16 A. The rationale for adopting these is because
17 this is the projection life for the embedded investment
18 that we have in the state of South Dakota today.
19 That's the basis. That was the basis. That was the
20 basis a year ago right here in this room as we argued
21 121, and I was the one that argued it and that was the
22 basis. That was the projection lives and the
23 projection lives that we proposed, and that was agreed
24 to by the staff and accepted by the Commission and
25 opposed by your client at that time.

1 Q. Again, going back to the stipulation in 121,
2 you set a ceiling on local service rates in that
3 docket, too, didn't you?

4 A. I believe so, yes.

5 Q. But you didn't immediately go to the ceiling;
6 correct?

7 A. That's correct.

8 Q. In fact, it's incremental increases that
9 you're allowed to take at least over a 36-month period?

10 A. I think it was a 36-month. It wasn't -- at
11 least I think it was a 36-month period.

12 Q. And on business local service rates you also
13 set a ceiling; correct?

14 A. I believe so.

15 Q. And, again, you didn't immediately move to
16 the ceiling?

17 A. I don't quite recall on business.

18 Q. Again, subject to check, you will agree
19 that --

20 A. Yeah, subject to check.

21 Q. That involved a 36-month period also?

22 A. Yeah, subject to check.

23 Q. Are you prepared to comment at all today
24 about what effect this switched access price increase
25 you're requesting may have on either residential or

1 business long distance telephone rates in this state?

2 A. No, I'm really not.

3 Q. As a matter of simple math, Mr. Culp,
4 assuming one of the intervenors in this case is
5 offering members of the South Dakota Retailers
6 Association a long distance rate of approximately 11
7 cents a minute, if your switched access rates are
8 raised to what the Commission staff is indicating,
9 you'd be allowed, which is 6.15 originating and
10 terminating, that would be an effective rate of 12.30;
11 is that correct?

12 A. Well, that's what the wholesale side for us
13 would be, would be 12. There's more costs too.

14 Q. Yeah. I guess what I'm saying is --

15 A. I'm saying that's our wholesale cost, or our
16 wholesale price would be that amount, yes.

17 Q. That's what you're going to charge to one of
18 the reseller intervenors in this case?

19 A. To a carrier, yes.

20 Q. And that would be 12.30?

21 A. Yes.

22 Q. And that carrier would have other costs
23 associated with the transmission of that long distance
24 call; correct?

25 A. Probably.

1 Q. So, again, if the retailers were receiving a
2 rate of 11 cents a minute, that just doesn't work out
3 mathwise, does it?

4 A. I can't speak for them. I don't know how
5 they price. You threw up a hypothetical here. They
6 had 11 cents. I don't know who charges 11 cents on --
7 you know, maybe for some service they charge 11 and
8 some they charge 16. I don't know. I don't know what
9 their margins are. It's a margin game for them.

10 Q. What's the U S West long distance tariff for
11 instate calling now?

12 MR. HEASTON: For what service, John?

13 MR. LOVALD: Direct dial.

14 A. In other words, for a message telephone
15 service? I don't know exactly what it is. It's in the
16 20 cent range, though.

17 Q. 30 cents?

18 A. I don't believe it's 30 cents. I believe our
19 average toll rate is somewhere in the low twenties.

20 Q. Would it surprise --

21 A. Your company's may be 30 cents, but ours is
22 20.

23 Q. Would it surprise you if -- Okay. I guess
24 you'd disagree with me if I told that you my law firm's
25 billing from U S West received in September of 1996

1 reflected a 30 cent minute rate?

2 A. Well, you maybe have a lot of customers in
3 Sioux Falls which would be probably -- the longest
4 calls you would have, it probably wouldn't be an
5 average for a customer in the state. I don't know.

6 Q. Okay. Mr. Culp, I'm going to ask you to look
7 at what's been marked as Exhibit 16 and ask you if this
8 appears to be a page out of a billing bearing the U S
9 West logo reflecting charges for instate long distance
10 telephone calls?

11 MR. HEASTON: Objection. Mr. Culp is not
12 qualified to testify that this is their bill, to begin
13 with, and where this bill came from. Is there any way
14 to establish the credibility that this is the document
15 which it purports to be? And the relevancy of what one
16 law firm pays for long distance without a description
17 of time of day and distance and all other kinds of
18 things that go into the rates, that's the second
19 problem. The third is what is the relevancy of this
20 bill to the charging of switched access prices?

21 THE CHAIRMAN: Do you have a witness that
22 would speak more clearly to this exhibit?

23 MR. LOVALD: Actually, Your Honor, this
24 exhibit is preparatory; and I'll tell you where the
25 other half of the equation is.

1 THE CHAIRMAN: You're going to the foundation
2 of it?

3 MR. LOVALD: This is partially foundation.
4 Mr. Simmons later today is going to be testifying.
5 He's affiliated with Midco Law First Retailers Plan.
6 Our firm has the retailers plan on instate long
7 distance. Redial is broke down in the month of
8 September, and I happen to have a bill from U S West
9 for their charges. And we have the bill come in from
10 Mr. Simmons reflecting their charges over the balance
11 of the portion of the month when it was working. And
12 I'd simply like to have some information laid before
13 the Commission on a rate comparison.

14 THE CHAIRMAN: Does U S West have a witness
15 that can speak to these kinds of plans and prices?

16 MR. HEASTON: No, we don't, because it's not
17 relevant to this proceeding. What we're talking about
18 here are whether or not we comply with the rules and
19 the model that the Commission has dictated that we use
20 and what those costs are. Now, yes, it's going to have
21 an impact on customers, but where that impact is is a
22 much more complex problem than what Mr. Lovald or
23 Mr. Simmons will try to present. So Mr. Simmons wants
24 to keep an 11 cent rate. Well, it may have to go up,
25 but we don't run Mr. Simmons' business, neither do this

1 Commission. They're a deregulated reseller.

2 So they're going to have to make their own
3 business plans. Maybe they have to increase their long
4 distance rates, maybe they don't. Maybe they have
5 other ways of offsetting this. They're not required to
6 price above cost. They can price below cost. They can
7 sell services below cost and make their money
8 elsewhere. It is how they set their margins and how
9 they determine their margins. How they run their
10 business is not -- this Commission is not supposed to
11 get in the middle of.

12 The only thing we're here for is to make sure
13 we complied with the Commission's rules regulations and
14 if we get sidetracked into trying to run the business
15 of a deregulated reseller, we get sidetracked in trying
16 to run the business of AT&T, or MCI, or anybody else
17 who is not regulated by this Commission. They have to
18 run their own business. You can only do part of the
19 equation, and I think it's folly to try to get into
20 this. Not only is it folly, but it's outside the scope
21 of the notice and purpose of this hearing.

22 MR. LOVALD: Can I respond? I really think
23 it's more complicated than Mr. Heaston would like the
24 Commission to believe because of the interplay between
25 various dockets when switched access has been dealt

1 with by the Commission.

2 I think you've got to go back to 108 where
3 AT&T, U S West, and a multitude of other parties
4 entered a stipulation agreeing to a phase-in. Under
5 the rules of the docket in 121 the parties stipulated
6 and the Commission approved an agreement to that as of
7 switched access. The cost study would determine U S
8 West's ceiling.

9 And, again, referring the Commission to the
10 stipulation in that docket, reading in part from
11 paragraph six, it states U S West needs regulatory
12 flexibility in pricing between long run incremental
13 cost and a ceiling established through regulatory
14 oversight. The ceiling is the FDC approach under the
15 Commission's rules.

16 Mr. Culp has agreed to provide the TSLRIC
17 floor. Under this Commission's phase-in rules, it
18 talks about whether there's a significant increase in
19 switched access and there's some public interest
20 justification that the Commission can order a
21 phase-in. I think the argument is even stronger that
22 U S West, in docket 93-108 and in the price regulation
23 stipulation with staff in the Commission -- or the
24 stipulation actually said the Commission will proceed
25 according to the Order in 93-108; that the Commission

1 has got to look at whether it's appropriate to order a
2 phase-in over some period of time of whatever pricing
3 is determined by the U S West cost study.

4 So I think I agree there's nothing in the
5 record right now that really deals with the public
6 interest issue, but I think it's something the
7 Commission has got to look at.

8 THE CHAIRMAN: Commission? The Chair would
9 have to agree with the objection. Now, let's just take
10 a minute. We had a stipulation as to access rates.
11 None of you liked it because you said the cost study
12 was out of date. Now, then we had -- you're talking
13 about phase-in. None of you liked that because simply
14 no one could agree on what it meant. And now we
15 scuttled all of that in favor of a new cost study to
16 determine switched access intrastate rates, and that's
17 what we're here for today. And we do have the cost
18 study in front of us, and I think we should confine it
19 to that. Now, I've given a lot of leeway simply
20 because you've got to go through this to get all that
21 stuff overboard. But now I think we kind of get down
22 to the real meat of it and it simply means we should
23 confine our testimony and cross-examination to this
24 switched access cost study in front of us for
25 intrastate access prices. Now --

1 COMMISSIONER SCHOENFELDER: Mr. Chairman, I'm
2 going to disagree with your ruling. I really believe
3 that this Commission cannot be barred from looking at
4 the impact of any rate proceeding on the consumers of
5 this state. And, therefore, we've always fallen down
6 on the side of letting more information into the record
7 than, or than keeping information out. And so I would
8 disagree with your ruling.

9 THE CHAIRMAN: Well, I think that I have let
10 a lot of information in on the record. And it seems to
11 me now that we started going into the old contracts and
12 stipulations and old cost studies. We're plowing
13 ground that doesn't mean anything. We're here with a
14 new cost study today, and that's what we need to
15 confine our testimony and cross-examination to. Now
16 you're still going to get plenty leeway. We've always
17 done that. When in doubt we let it in. But I think if
18 we're going to start plowing ground over what we have
19 already agreed on is no longer useful, then I think we
20 should go beyond that.

21 COMMISSIONER SCHOENFELDER: I disagree with
22 your ruling.

23 THE CHAIRMAN: Well, is there another vote to
24 disagree with that?

25 COMMISSIONER BURG: I feel prepared to make a

1 comment at this time too. We have for a long time
2 recognized -- or I think several dockets have
3 recognized that costs can be shown to be much higher
4 than what is being applied as to the switched access
5 rates.

6 The question I have today, what has changed
7 to make us want to make U S West, who in the past has
8 said we do not want to go to those costs for switched
9 access rates. We think it would harm the businesses in
10 South Dakota. What's changed today to make -- that
11 make it necessary to go to the ceiling of those costs?
12 And I do believe that we need to recognize what the
13 effect is going to be on South Dakota of that change.

14 What I'm looking for from this is what has
15 changed to make it necessary to move to that ceiling
16 when in the past we've known the ceiling hasn't changed
17 very much. We've known what that was. But what in the
18 past has made it desirable on U S West's part not to go
19 to that ceiling? Now today we must go to it as far as
20 their testimony, and it is going to have a substantial
21 impact on South Dakota. I think we need to know what
22 that is on the consumers. And I want the information
23 that's going to explain that.

24 THE CHAIRMAN: So are you overruling the
25 Chair, or what do you want to do?

1 COMMISSIONER BURG: I probably didn't see
2 your definition -- your ruling being as definitive to
3 allow the leeway that I think that's necessary to reach
4 that. Whatever, you know. I want a decision. I want
5 testimony that's going get us to the point of why is it
6 necessary to go to those prices immediately when it
7 hasn't been in the past, even though the cost hasn't
8 changed substantially. And what will the impact be on
9 South Dakota? I want whatever information it's going
10 to take for us to analyze that, because I think that
11 after the fact we may see some impacts that very much
12 harm the people of South Dakota, and we need to try to
13 mitigate that.

14 THE CHAIRMAN: I think that's what we're
15 really trying to get at here with the new cost study
16 and find out what the components are and why you
17 justify certain cost increases. My only concern was
18 that if we're going to go over old ground that
19 everybody disagrees was obsolete, what benefit is
20 that?

21 COMMISSIONER BURG: I guess if you want more
22 clarification, I think I probably at least partially
23 want to overrule because we've had these cost studies
24 before. We've seen -- these figures aren't a lot
25 different than what I heard before. The difference is

1 is what the charges are to be assessed based on those
2 costs. And I'm trying to get at what that is and what
3 effect it will have on the customers of South Dakota.

4 THE CHAIRMAN: That's what I think we're here
5 for on this new docket.

6 COMMISSIONER BURG: But if we narrow it only
7 to what those cost studies show and the authorization
8 to go immediately to the level of cost studies when
9 that has not been the direction in the past, it will
10 have a significant impact on the customers of South
11 Dakota. And I think we need to at least have enough
12 leeway to know what that impact will be and is there
13 other ways that we can handle it, because I think it
14 will affect business tremendously.

15 MR. HEASTON: Mr. Chairman, I mean, I guess I
16 don't understand why we went through that huge rule
17 making, then, several years ago to come up with the
18 rules that would set the price. I mean that was -- the
19 idea was so that we would be -- it would set the
20 price. And I thought that's what the rules did, and
21 that's all we're trying to do here. And if that's not
22 the case, if these rules don't result in reasonable
23 prices, then there's a problem with the rules. Then
24 maybe the Commission ought to re-look the whole
25 situation of the rules, which they haven't done.

1 But we are required under those rules, as
2 they exist today, to file this cost study and to file
3 our tariff; and that's all we're trying to do. Now, if
4 we get into all this other stuff that we litigated
5 arduously when we adopted those rules, this all went
6 into the mix when you adopted these rules, things like
7 the 25 percent allocator went into the mix. And it was
8 going to raise access price, cause that to happen. I
9 mean that all went into the mix, and now we're
10 relitigating this every time we come in and try to obey
11 the rules.

12 And I guess it gets a little frustrating from
13 our point of view that we can't seem to get any rules
14 or any prices implemented unless we surrender revenue
15 that we are legitimately entitled to under rules that
16 we're promulgated understanding what the situation
17 was.

18 Yes, as far as the interexchange carriers are
19 concerned, there is going to be an adverse impact to
20 them in that they're going to have a higher cost. But
21 you, when setting those rules, understood that when you
22 established a carrier common line charge and allocated
23 25 percent of the Loop cost. Using that method, yes,
24 that's going to cause the prices to go up. And when we
25 do it by the rules, the price is 4 cents, so that's

1 going to increase it. I mean, we understood that.

2 Now, you know, rules are rules. I mean, I
3 don't know how better to state it. But if we've got to
4 come in here and justify the rules that you put on us
5 every time we do it, every time we want to make a price
6 change in this area, then why do we have the rules?
7 Why do we go through that? I presume that the prices
8 were made according to these rules are reasonable.

9 COMMISSIONER BURG: Would you not agree those
10 rules have been applied in the past and it has
11 established a price, but you've asked us not to
12 implement that price?

13 MR. HEASTON: And you agreed not to do that.

14 COMMISSIONER BURG: What I need to know --
15 because it's going to have an impact on the people of
16 South Dakota -- what I need to know is why do those
17 need to be implemented today when they have not been
18 chosen to be implemented in the past? That's the part
19 that I'm -- I am personally confused on. Not confused,
20 but need a better understanding on.

21 Now, if application of those rules only
22 forestall or prevent us from arriving at why that
23 change is necessary, then I don't think we've done our
24 job. Because I want to know what the impact on the
25 people of South Dakota is going to be, not just what

1 the rules allow. Because the rules have allowed that
2 for a long, long time, but it's not been applied by
3 choice of your company.

4 Now your company is saying we want those
5 fully applied. I need to know why. I'm not making a
6 judgment at this time whether it's proper or not
7 proper, but I need to know why because I think it's
8 going to have a huge impact on business to the
9 customers of South Dakota. And if what we're trying to
10 limit prevents that, then I object.

11 COMMISSIONER SCHOENFELDER: Mr. Chairman, I
12 think you just need to decide whether your ruling is
13 going to stand or not stand and we go on with this
14 hearing.

15 THE CHAIRMAN: I'm trying to do that without
16 getting confused. I'm not sure whether I'm sustained
17 or overridden.

18 COMMISSIONER SCHOENFELDER: I am moving to
19 override you.

20 THE CHAIRMAN: You're going to have to vote.

21 COMMISSIONER BURG: I think I am.

22 THE CHAIRMAN: You either think or you think
23 not. You've got to come up with a decision.

24 COMMISSIONER BURG: I don't know if I
25 understand how narrow your ruling was.

1 THE CHAIRMAN: Well, you give me your answer
2 yes or no.

3 MR. HEASTON: My objection was to the use of
4 this document basically.

5 COMMISSIONER BURG: I don't have a problem
6 with the objection to the use of the document as long
7 as the information can come out. But the ruling of the
8 Chair was to limit it only to the cost studies and the
9 rules, and I think I want more than that. So I'm
10 probably moving to overrule.

11 THE CHAIRMAN: All right. All right.
12 Proceed. The Chair has been overridden.

13 MR. LOVALD: I guess I'm still confused as to
14 where we're at.

15 COMMISSIONER SCHOENFELDER: The admission of
16 your Exhibit 16. Mr. Heaston's objection has been
17 overruled.

18 MR. LOVALD: I would offer Exhibit 16.

19 THE CHAIRMAN: Objections?

20 MR. HEASTON: Objection, foundation. I mean
21 there's no way we know that's a credible document.

22 THE CHAIRMAN: Well, I guess the Chair has
23 been overridden, so the exhibit is accepted.

24 MR. LOVALD: I'd be willing to allow
25 Mr. Heaston over the noon hour today come and look at

1 the entire billing for September.

2 MR. HEASTON: I'm not going to do that, John,
3 for crying out loud. You can sustain your document or
4 not. I'm not going to do it for you. Don't invite me
5 to do it.

6 Q. Mr. Culp, adjustment 22 of your exhibit of
7 your testimony reflects an inflation adjustment; is
8 that correct?

9 A. That's correct.

10 Q. Is there a corresponding adjustment that you
11 made to your document to increase the -- or to reflect
12 increasing minutes of use?

13 A. No.

14 Q. What period were you adjusting for the
15 effects of inflation?

16 A. The test period 1995.

17 Q. All of 1995?

18 A. Test period 1995.

19 Q. You disagree with Staff Witness Best's
20 prefiled testimony where on page 5 in comparing the
21 93-108 cost determination of 6.7 cents to the staff
22 recommendation here as 6.15, that maybe the reason for
23 the drop in costs was that minutes of use increase more
24 than expenses?

25 A. I think that's one of the big drivers, yes.

1 It's not the only driver, but it's the main driver.

2 Q. Have you made any adjustments in your cost
3 study to increase the base numbers to reflect increases
4 in minutes of use?

5 A. It's not appropriate.

6 Q. Under the rules?

7 A. Under the rules and under the rate making
8 precedent of using a historical test period which this
9 Commission has followed.

10 Q. But you are going out of the historical test
11 period and requesting inflation factors be played in
12 the cost?

13 A. No, I'm not.

14 Q. Isn't there a request in the adjustments for
15 1996 salary increase adjustments?

16 A. The way that the historical test period
17 methodology works -- and I think it has a long-standing
18 precedent with this Commission -- is that you establish
19 a test period and you establish the costs. And you're
20 looking at the level of employees, you're looking at
21 the level of effort, and the level of investment to
22 provide the service that's defined in the test period.
23 That's the historical basis. You start with the level
24 of service, the level demand, and then you adjust to
25 that. You adjust to that if appropriate for expenses

1 and investment to move them on a pro forma basis.

2 For instance, with the salary level, there
3 was -- there will be -- if you take the historical
4 level perspective, you have your level of employees in
5 1995. And what will happen is once these rates get put
6 in place, you will have -- you will be paying a
7 different level of salaries and so you adjust for
8 that. And that's the same principle that is put in
9 place for salaries and for inflation adjustment.

10 Q. But you would agree with me adjustment 17 and
11 19 of your study reflect 1996 salary increases or
12 adjustments?

13 A. They reflect 1996 salary increases and
14 adjustments, yes.

15 Q. Has U S West been down sizing a number of
16 company personnel?

17 A. Has it been down sizing? It's been putting a
18 lot of press on this. The staff asked us about this
19 one. And we actually looked at the U S West -- we
20 looked at the books, the number of employees that are
21 on our books, and actually in 1995 it increased. And
22 so throughout the year it increased, and the level as
23 of August of 1996 is still at the level at the end of
24 '95.

25 Q. Have you been down sizing throughout the

1 course of 1995 on South Dakota employees?

2 A. What I always have to be careful what we look
3 at here and is traditionally how we have presented the
4 numbers and how the staff has viewed our numbers here
5 is we have a lot of employees outside of South Dakota
6 that serve South Dakota. And so what we do is look at
7 it from a USWC perspective. But -- and, by the way, we
8 have the same thing in South Dakota because we have an
9 operator office in Sioux Falls.

10 So when you look at the employee level of U S
11 West in South Dakota, really what you're following is
12 as much as anything is you're watching the employee
13 level in the Sioux Falls office, the toll operator
14 employee level in the Sioux Falls office. You see
15 these fluctuations in month and you notice it will be
16 five employees down and five employees. It's operators
17 you're seeing there.

18 We do have others, but this is a cost decline
19 business and in time we will have fewer employees, I
20 hope, just like your client you represent has declined
21 in employees over time too. I mean the Bell system
22 used to be a million employees. Put the Bell system
23 back together, we're not at a million employees any
24 more.

25 Q. I'm confused. Did you tell me South Dakota

1 numbers during 1995 went up or down?

2 A. I don't know specifically for those in South
3 Dakota. The employee level adjustments that's included
4 in here was based upon U S West Communication
5 employees, and it actually went up in the year.

6 Q. Now, I believe in your credentials you
7 attached to your testimony you indicated Wyoming is one
8 of your other states; is that correct, where you have
9 responsibilities?

10 A. Yes. I gained that about the first of the
11 year.

12 Q. Would you agree with me that in the price
13 regulation docket in Wyoming that U S West entered a
14 stipulation reducing switched access ceiling prices
15 from 6.5 cents to 4.8 cents?

16 MR. HEASTON: Objection. What's the
17 relevance of the price in Wyoming as in South Dakota?
18 Wyoming does not have South Dakota rules, so I don't
19 see what the relevancy is.

20 THE CHAIRMAN: Overruled. You can answer.

21 A. I believe there was a stipulation, and I
22 believe that the price went down from whatever it
23 went. I would agree with what you said.

24 Q. Subject to check, 6.5 to 4.8?

25 A. Yes.

1 Q. Can you tell me what the cost to U S West is
2 of the CCL -- I'm trying to strike that and start
3 again. Can you tell me, Mr. Culp, what the incremental
4 cost is to U S West is of the CCLC component of
5 switched access?

6 A. The incremental cost?

7 Q. Yes.

8 A. I don't know how you define -- I don't know.
9 I'm sorry.

10 MR. HEASTON: I need to object again. I
11 don't know -- the cost rules we're dealing with here
12 are fully-distributed costs, not incremental costs, so
13 what's your purpose?

14 THE CHAIRMAN: What's your purpose,
15 Mr. Lovald, in asking that question?

16 MR. LOVALD: My purpose is, Mr. Chairman, I
17 think U S West has got to be bound by their own
18 stipulations and agreements. We've got a stipulation
19 in 121 that says they want the flexibility of pricing
20 to switched access between FDC ceiling and TSLRIC price
21 floors.

22 You know, let me use the language here that
23 they used. Here we go. U S West needs regulatory
24 flexibility in pricing between long run incremental
25 cost and a ceiling established through regulatory

1 oversight. We know through the FDC cost study what the
2 ceiling is as established by FDC. The stipulation has
3 indicated that, you know, they're pricing switched
4 access local business service, local residential
5 service. I'd like to know what the other end of the
6 spectrum is since they use that term in their own
7 stipulation.

8 THE CHAIRMAN: If you use that stipulation,
9 can you tie it closer to switched access?

10 MR. LOVALD: Yes.

11 Q. Paragraph 15 says the price ceiling for
12 switched access services will be determined by using
13 the switched access rules found in ARSD 20:10:27
14 through 20:10:29. Price changes will be consistent
15 with the requirements of SDCL 49-31-1.4, 49-31-4,
16 49-31-12, 49-31-12.2 and 49-31-12.4, and the Order in
17 docket is 93-108 and excuse me.

18 At any rate, the prices for the following
19 services -- this is on page 4 -- will be determined by
20 this price regulation plan sub (b) is switched access
21 services. There's another section that I'm looking for
22 that it says that -- yeah, excuse me, paragraph 15 says
23 the price ceiling, you know, it doesn't say the price.
24 It says the price ceiling. And where they speak of
25 floors and ceilings, I'd like to know for the record

1 what the floor is.

2 THE CHAIRMAN: You quoted or cited two rules
3 also. Do you have anything to read from on what those
4 rules say?

5 MR. LOVALD: The Administrative Rules cited
6 here, 20:10:27 through 20:10:29 would be the FDC
7 pricing that the stipulation says will establish the
8 price ceiling.

9 MR. HEASTON: Mr. Commissioner, I mean this
10 again points out the problem. If we wanted to litigate
11 the LRIC floor, we should have litigated that in the
12 121 docket. That's not part of this docket. What
13 we're litigating here is the price of ceiling.

14 Now, again, I'll put back to AT&T that the
15 stipulation is what the stipulation is. And what the
16 stipulation granted U S West in the 121 docket was of
17 the flexibility to price in between. That meant that
18 we weren't going to be subject to regulatory challenges
19 once we established what the floor was and what the
20 ceiling is. And what we're here to do is to establish
21 that ceiling.

22 THE CHAIRMAN: Your objection is sustained.
23 Move on.

24 Q. Just for the purpose of --

25 A. Can you speak up? It's hard for me to hear.

1 Q. I'm not asking you to answer the question,
2 Mr. Culp. Do you know the answer to my previous
3 question?

4 MR. HEASTON: The objection was sustained.

5 MR. LOVALD: I understand that. But I'd like
6 to know if he knows the answer because I may want to
7 make an offer of proof.

8 A. I don't remember the question, I'm sorry.

9 Q. Do you know the TSLRIC cost component of the
10 CLC -- CCLC component of switched access?

11 A. I believe that was -- you have stated that
12 different than you did the first time.

13 Q. Well, the Court Reporter will --

14 A. No, I'll answer it this way. The TSLRIC cost
15 component for the carrier common line is zero.

16 MR. LOVALD: Could I make an offer of proof,
17 Mr. Chairman, if asked, that would be his answer?

18 THE CHAIRMAN: Yeah. Go ahead.

19 MR. LOVALD: No further questions.

20 THE CHAIRMAN: All right. Telecommunications
21 Action Group, Mr. Pfeifle?

22 MR. PFEIFLE: Thank you, Mr. Chairman.

23 CROSS-EXAMINATION

24 BY MR. PFEIFLE:

25 Q. Morning. I'd like to call your attention to

1 your schedules. I'd call your attention to Sheet A.

2 MR. HEASTON: Which schedule?

3 Q. Schedule 1. Sorry. That Sheet A represents
4 a summary of -- are you to Sheet A there?

5 A. Yeah, I'm there.

6 Q. Sheet A represents a summary of revenue
7 requirements for supporting the increase in the common
8 carrier line charge, does it not?

9 A. On the common line charge?

10 Q. Yes. Common carrier line charge.

11 A. Yes, yes. I mean the title on this sheet is
12 common line in column D.

13 Q. It includes both intraLATA and interLATA
14 revenue requirements, does it not?

15 A. Yes. You can see that from the sheet it's
16 obvious. You can see the section says intraLATA and
17 the section says interLATA.

18 Q. Would you please go to Sheet C?

19 COMMISSIONER SCHOENFELDER: Please get your
20 mike closer.

21 Q. I'd call your attention to Sheet C.

22 A. I'm there.

23 Q. Does this represent the investment summary of
24 all the assets invested in the state of South Dakota?

25 A. In the -- well, again, this goes back to the

1 staff's question early on. What goes into total
2 company is our subject to separations numbers.

3 Q. Okay. And the amount -- I'd call your
4 attention to lines 13 on the Sheet C through line 69.
5 Have they been calculated from inputs placed into the
6 model by amounts shown on Sheet V? I'd have to call
7 your attention to Sheet V.

8 A. The model specifies where it comes from. You
9 see the source allocator in column C, so if you're
10 looking at row 13, it says D 33. So you go to D 33 and
11 it pulls it from D 33.

12 Q. So those amounts are shown on Sheet V, lines
13 21 through 273?

14 A. Where do you see that?

15 Q. On Sheet V?

16 A. No, I'm sorry. Sheet V is an input sheet.

17 Q. Right.

18 A. Okay.

19 Q. Then lines 21 through 273, those are where
20 you calculate lines C 13 through C 69?

21 A. Back up, back up. I'm not following you.

22 Q. Okay.

23 A. On what sheet?

24 Q. Okay, first on Sheet C.

25 A. Okay.

1 Q. We got lines 13 where it says land and
2 support?

3 A. I agree to that part.

4 Q. Okay. It says C 69?

5 A. Yes.

6 Q. Regarding the totals, those have been
7 calculated from inputs placed into the model by the
8 amount shown on Sheet V, V as in volume?

9 A. Basically, yes.

10 Q. Okay.

11 A. From different sources that it shows there,
12 yes.

13 Q. Where are those -- I'd call you to Sheet V
14 now, V as in volume.

15 A. V as in input for me.

16 Q. Where are those inputs on Sheet V taken from?

17 A. That was the process that I explained to the
18 staff when staff was questioning me on that. Do you
19 want me to go through that again?

20 Q. Sure.

21 A. Okay.

22 Q. Just briefly, where do you get those inputs?

23 A. Okay. First we start with our unadjusted
24 ledger, our books. And then we identify using the part
25 64 process what is subject to separations.

1 Q. May I interrupt? On the ledgers, is that the
2 South Dakota ledger then?

3 A. There is a South Dakota ledger. It comes
4 direct from the South Dakota ledger.

5 Q. Okay. So all those inputs are coming from
6 the South Dakota ledger then?

7 A. From the South Dakota ledger.

8 Q. Okay.

9 A. Okay. You take the South Dakota ledger, you
10 identify the part 64 FCC dereg. You take that FCC
11 dereg and you subtract that and you come up with
12 subject to separations numbers. In this case we
13 reviewed it for known and measurable changes. We
14 applied those adjustments and applied those adjustments
15 and that's what goes into Sheet V.

16 Q. All those inputs on Sheet V, have they been
17 revised as a result of the 1996 Telecommunications Act?

18 A. I know of nothing in the 1996
19 Telecommunications Act that has instructed us to revise
20 anything on our ledger or anything in this model.

21 Q. Would the requirement under the 1996 Act of
22 unbundling of network costs anticipated in the
23 Telecommunications Act, would that have an impact on
24 these inputs?

25 A. Nothing in these impact inputs would change

1 until Part 32 is changed.

2 Q. Could you turn to Sheet N? Could you please
3 look at line 18?

4 A. I'm looking at it.

5 Q. Column D.

6 A. I'm looking at it.

7 Q. Can you tell us how this .581611 factor was
8 determined or arrived at?

9 A. The model determines and arrives at that.
10 You put the inputs in Sheet V, and you put the factors
11 -- the traffic factors in Sheet F, and then the model
12 spits this out.

13 Q. Okay. Could you look at line 28 under the
14 same column D?

15 A. Yes.

16 Q. Tell us how the .195670 was arrived at.

17 A. Again, these are protected cells in the Lotus
18 spreadsheet that staff and their expert witness
19 developed when they developed this model. It just
20 spits it out. We put the inputs in. The model
21 calculates it and it comes out. And it's not used not
22 only for us, but it's used for all of the local
23 exchange companies in South Dakota. They use the same
24 model.

25 Q. Do some of these allocated costs, do they

1 include land assets, motor vehicles, buildings,
2 furniture, office equipment, general purpose computers,
3 et cetera?

4 A. That's what it states. I mean that's what
5 the inputs are that's on our ledger. That's our
6 assets, yes.

7 Q. So if only these network costs are to be
8 included under the 1996 Telecommunications Act, how do
9 furniture, office equipment, general purpose computers,
10 and all these motor vehicles get allocated to common
11 line access cost elements?

12 A. I don't agree with the premise of your
13 question. You asked me first that -- your first
14 question was did it -- did the 1996 Telecommunications
15 Act have anything to do with -- I don't know the words
16 you used -- the model the rules, the fully-distributed
17 cost model. It has nothing at all to do with it. This
18 is switched access. Basically the Telecommunications
19 Act is about local service. We're here talking about
20 switched access. Switched access is an interexchange
21 service. It's our wholesale product to the
22 interexchange carriers. What the Telecommunications
23 Act was primarily about was about local exchange
24 service. Interconnection is to provide access to local
25 exchange providers.

1 Q. Wouldn't you agree, though, that the
2 unbundling of network elements would have an impact on
3 how the inputs are placed in this cost model?

4 A. If the Commission was to change its rules and
5 determine how to do that, then this model would
6 change. It would change. The Commission has not done
7 that, neither has the FCC.

8 Q. Can we go to Sheet L, line 59?

9 A. I'm there.

10 Q. Okay. You have 100 percent of your central
11 office equipment entitled COE exchange line has been
12 allocated to the common line element. Can you explain
13 to us what type of costs are included in this element
14 and why 100 percent of the cost is so allocated?

15 A. Okay. That's going take a minute.

16 Q. Okay.

17 THE CHAIRMAN: This may be a good time for a
18 five-minute break while the witness is looking over his
19 material.

20 (AT THIS TIME A SHORT RECESS WAS TAKEN.)

21 THE CHAIRMAN: Let's go back on the record.
22 Proceed, Mr. Pfeifle.

23 Q. I believe the question was about the CCL on
24 the 100 percent allocation.

25 A. The 100 percent allocation, I don't know

1 specifically what that equipment is. I'd have to go
2 back to our records. We can do that. But it's direct
3 assigned to carrier common line.

4 Q. About the 55 exchanges that were sold, where
5 were those proceeds allocated in the model?

6 MR. HEASTON: Objection. It isn't ordered
7 that it told us where to put them.

8 THE CHAIRMAN: Does this have anything to do
9 with the material you've got in front of you there,
10 Mr. Pfeifle? Is this an extraneous question?

11 MR. PFEIFLE: I'm getting at, Mr. Chairman,
12 where those proceeds were allocated and why it didn't
13 affect the proposed rate.

14 THE CHAIRMAN: Can you answer that, witness?

15 A. I think I can, yes. Number one, the
16 proceeds, the cash we got from the sales, went into the
17 treasury of U S West Communications. It belongs to the
18 shareholders of U S West. That's what the Commission
19 Order directed. So that's where the proceeds -- that's
20 where the cash went. When you say proceeds, that means
21 cash to me.

22 Q. So it went to the shareholders. Did it go to
23 the South Dakota ledger or to shareholders wherever
24 they may be?

25 A. Well, the South Dakota ledgers, the

1 subsidiary ledger of U S West Communications. So I
2 mean the cash ends up in the cash of U S West.

3 Q. Did the proceeds 100 percent end up in the
4 South Dakota ledger, or did they get spread around?

5 A. The first entry was -- what it was, we sold
6 property, okay? And then the cash goes to -- and cash
7 is increased. Just like when you buy property you get
8 an asset, the property, and it costs you cash. This is
9 the opposite of that.

10 MR. PFEIFLE: Okay. Thank you. That's all
11 the questions I would have.

12 THE CHAIRMAN: Does that conclude the
13 cross-examination of TAG group?

14 MR. PFEIFLE: Yes.

15 THE CHAIRMAN: Midco Communications,
16 Mr. Simmons, do you have any questions?

17 MR. SIMMONS: No, sir.

18 THE CHAIRMAN: TeleTech next? Anybody
19 representing TeleTech or wants to ask questions?

20 CROSS-EXAMINATION

21 BY MR. NOONAN:

22 Q. Mr. Culp, I would just like to ask you a few
23 questions. In this Sheet V it appears that all of the
24 costs are allocated starting from Sheet V, which I
25 think our attorney asked you the question regarding

1 whether or not the sale of exchanges were entered into
2 the ledger. The South Dakota ledger before you put
3 them into the inputs on schedule, or Sheet V?

4 A. You're asking a different question than what
5 he asked.

6 Q. That's my question.

7 A. His question was what happened to the
8 proceeds. I tell you what happened to the proceeds,
9 the cash.

10 Q. Right.

11 A. Yes. The sale of exchanges. Remember the
12 process that I explained to the staff? When you start
13 with -- you start with a total state ledger. You
14 identify dereg, FCC dereg, you subtract that and you
15 come up with subject to separations. You take the
16 adjustments made and one of the adjustments was the
17 sale of exchanges and you have make that adjustment to
18 the expenses and to the investment and also to the
19 minutes of use, by the way. And that's what comes into
20 the model.

21 Q. All right. So it is in the ledger, in other
22 words?

23 A. Well --

24 Q. Or isn't it in the ledger?

25 A. The ledger was the 1996 ledger. The sale

1 took place on June 22nd, 1996.

2 Q. So was it pro forma due to the ledger?

3 A. Yes.

4 Q. So it is in the ledger even in a pro forma?

5 A. It's pro forma in the sheets and analysis.

6 Q. As the depreciation was when -- I believe the
7 AT&T attorney asked you about depreciation, if I
8 understand it.

9 A. Yes.

10 Q. Depreciation was not in the ledger, but what
11 it was it was pro forma into the ledger?

12 A. It's in the ledger. The Commission -- the
13 depreciation was effective in February of this year
14 because that's when the Commission's Order was
15 effective. The sale shows up in the ledger in June of
16 1996 because that's when the sale took place.

17 Q. Right. But now the question would be in
18 regards to the gain, if I'm understanding the exhibit
19 that was contained with your schedule, it indicates
20 that the gain was actually reduced from the plant
21 property and equipment as a credit against fixed
22 assets; is that correct?

23 A. The gain?

24 Q. The amount of gain. I think it's some --
25 let's go to your --

1 A. Okay.

2 Q. I believe it's in your schedule entitled
3 Interstate Results and Adjustments Detail. There's a
4 line 18?

5 A. What schedule are we looking at?

6 Q. I believe it's -- it's one of your
7 supplemental schedules after part --

8 A. I need to know where you are.

9 Q. Page 3 of 3.

10 A. Oh, it's Schedule 2 up in the right-hand
11 corner.

12 Q. It's one of your supplement.

13 A. All right. And you're saying 18?

14 Q. Yes. You have \$81,822,000, which appears to
15 be taken off of the balance sheet assets, which I
16 assume represents some portion of the gain of the sale
17 of exchanges.

18 A. It -- actually there's no gain in that.
19 That's actually the gross investment that was
20 originally put on the books. That's what's coming off.

21 Q. So that's the cost basis of the gain?

22 A. Yes, yes.

23 Q. Now, I'm understanding under this full
24 absorption costing there are a number of allocations
25 being made, and I think one you mentioned was 25

1 percent, which apparently established by rule such that
2 the 25 percent of certain costs were moved into the
3 common line carrier column.

4 A. Well, you asked the question as if it was
5 manipulated. I think it was a conscious decision of
6 both this Commission to do -- both this Commission and
7 the Federal Telecommunications on the intrastate side.

8 Q. Then I think this question was asked about
9 the 100 percent allocation in some cases of certain
10 fixed assets, which I guess I'm not sure I understand
11 that either. But these cost allocations that are set
12 forth in a number of the schedules here are either
13 cranked out by the model, or they are predetermined as
14 an allocation methodology that would be used for
15 purposes of allocating fully absorbed cost?

16 A. Well, the rules -- the rules state how to do
17 that. And the rules say that those costs that can be
18 directly assigned to a category should be directly
19 assigned to that category before any allocation is
20 applied.

21 Q. All right. Then I understand. But why, for
22 example, would working capital under fully absorption
23 costing, why would you be allowed to throw that into
24 your rate base, a return on working capital?

25 MR. HEASTON: Excuse me, you used this term

1 several times, Mr. Noonan. What's a fully absorption
2 cost?

3 Q. Based on your model, the way I understand it,
4 where you take the total company costs that you put
5 into your ledger, the entire methodology that you use
6 in the cost model fully absorbs every dollars worth of
7 cost that have been inserted into the South Dakota
8 ledger. That's my understanding.

9 A. Well, from a financial perspective, in the
10 telephone industry, at least on the local exchange
11 carrier side, with RBOC's and Part 36 which has been a
12 long-standing thing back when we were AT&T, that it --
13 you basically take all of your costs, and that's the
14 way the rate of return regulation works, and that's the
15 genesis of this.

16 Q. I'm understanding that. So getting back to
17 my question, where does working capital -- why should
18 -- let's, first of all, I think you understand the
19 concept of unbundling costs, do you not? Or how would
20 you describe -- I should say how would you define
21 unbundling of network costs, your definition as you
22 understand?

23 A. Unbundling means break apart.

24 Q. Breaking apart into segments, right. So if
25 we were to take the 4 cents that is shown on your Sheet

1 A; correct? If I took the 4 cents and I were to
2 unbundle it, what would that mean to you?

3 A. Well, the 4 cents -- the carrier common line;
4 right?

5 Q. Right. But if I unbundle --

6 A. Are you going to let me answer or are you
7 going to argue with me?

8 Q. No.

9 A. The 4 cents is the carrier common line.
10 Okay. And predominantly everything that's a carrier
11 common line is based upon the 25 percent allocation of
12 the local Loop. That's what's there if you could
13 unbundle the local Loop in more detail or it comes
14 back. It is local Loop and it's contribution for the
15 local Loop.

16 Q. All right.

17 A. And that is charged to the carriers through
18 the carrier common line because of the South Dakota
19 rules and because what was litigated in front of this
20 Commission first in the dockets, the 040A (sic)
21 dockets, and I don't remember the year that was, and
22 then through the rule makings and then back in '93,
23 93-108, and all the other local exchange carriers had
24 their dockets back then. And they're all going to go
25 through this again this year.

1 Q. Let's go back to the 4 cents. If I were to
2 unbundle the 4 cents into my network elements based on
3 a 25 percent application for a moment, if I unbundle
4 it, why not put the 4 into segments?

5 A. I'm not going to. There's no -- I mean if
6 you want to do it, you want to testify to that in your
7 testimony, you can come present that here and we should
8 unbundle this a lot of different ways.

9 Q. Just --

10 A. That's --

11 Q. Conceptually, would that be the way it works
12 conceptually?

13 A. I don't know. I don't know.

14 Q. Would it be greater than 4 cents or less than
15 4 cents?

16 MR. HEASTON: Objection. He said he doesn't
17 know.

18 THE CHAIRMAN: Move forward, Mr. Noonan.

19 Q. Just the mathematics of it, would you agree
20 the 4 cents would -- if you unbundle it would have
21 components consisting of the 4 cents?

22 A. But the unbundling could be a component of
23 one.

24 Q. Do you see this Commission basically has an
25 obligation to try to unbundle those network elements

1 for purposes of selling or charging access charges to
2 we as resellers?

3 A. No, I don't see any obligation. None of the
4 rules today they don't.

5 Q. Under the Telecommunications Act would you
6 say that?

7 A. I don't know where. In your testimony you
8 can present it. In your testimony you can cite where
9 you think it says that. But there's a difference
10 between interconnection and switched access.

11 Q. All right. But in summary, this model does
12 reflect strictly a fully absorption method and does not
13 take into consideration any segmentation that would be
14 required under or unbundling under the
15 Telecommunications Act?

16 A. I believe I follow that, and I would say I
17 agree.

18 THE CHAIRMAN: I guess what I overlooked
19 here, I think Mr. Pfeifle is representing Midco,
20 TeleTech, Tel Serv, FirstTel and TCIC; is that right?

21 MR. PFEIFLE: That's all part of the
22 Telecommunications Action Group, yes.

23 THE CHAIRMAN: All right. I overlooked
24 that. For purposes of the record, you will have an
25 opportunity to recross if you wish; and any of the

1 other parties that want to bring something up to your
2 own attorney, why, you should do so for the recross.

3 Let's go to DCT.

4 MR. HERTZ: No questions.

5 THE CHAIRMAN: All right. Any redirect?

6 Wait a minute, Commissioners. Commission counsel, you
7 got any questions?

8 CROSS-EXAMINATION

9 BY MR. HOSECK:

10 Q. Mr. Culp, I'm Camron Hoseck, acting as
11 Commission counsel today. Would you describe what your
12 role was in the preparation of this cost study?

13 A. Well, I knew all along I was going to be the
14 witness that presented the cost study to this
15 Commission. So I explained in my testimony a major
16 portion of the team and I would -- I was the team
17 leader or supervisor for that team that put this
18 together, and I took ultimate responsibility for it.

19 Q. Okay. But would you describe specifically
20 what you did, then, as a team leader?

21 A. Well, I basically sat down and worked with
22 the individual members; and they each had their
23 different role. Like Cindy Crawford, who I explained
24 in my testimony who actually ran the model, she has
25 experience in doing this on the FCC side and has worked

1 on our separations group for years and years doing this
2 sort of stuff on that. I sat down with her. I showed
3 her what was done in '93. And also the person that put
4 together the model of '93, Linda Sharp, I pulled her
5 together. She sits right outside my office. And so we
6 worked out this is the way the model is handled and
7 what's in it and the idiosyncracies between this model
8 and what we do on the FCC side.

9 Q. Did you personally develop any of the figures
10 that went into the cost study?

11 A. Personally developed, no. I supervised that
12 development. They had a lot of strong direction from
13 me, but, I mean, the actual schedules and the workup
14 were done by other people.

15 Q. In your cost study -- in your testimony, you
16 say that the switched access charges should be 6.4
17 cents and today that's apparently been amended down to
18 6.1. But just for purposes of discussion, can you tell
19 the Commission what this 6.4 cents per minute access
20 charge means in terms of gross revenues to U S West?

21 A. Gross revenues to U S West? I haven't
22 calculated that.

23 Q. Have you read Mr. Thurman's prefiled
24 testimony in this matter where he alleges this is a
25 five million dollar charge?

1 A. I've read it, but I missed that, I'm sorry.

2 Q. Do you agree or disagree with that?

3 A. That this would be a five million dollar
4 charge?

5 Q. That the 6.4 cents charge makes this a five
6 million dollar proposition.

7 A. No. Let me put it in kind of perspective
8 from my perspective. In 1995 the charges to
9 interexchange carriers for switched access was about
10 6 1/2 million dollars. Okay? We're going from 3 cents
11 to 6 cents, basically, so it would double, so it would
12 be basically 6 1/2 million.

13 Q. So it would be greater than Mr. Thurman?

14 A. That would be the total charge would be 6 1/2
15 million.

16 Q. How much is the amount of the increase?
17 That's what I'm getting at?

18 A. To U S West?

19 Q. Yes.

20 A. I think a very easy way of looking at it is
21 just looking at 3 cents to 6 cents is basically 100
22 percent increase.

23 Q. So if I'm understanding you correctly, the
24 value of the case to U S West based on the 6.4 cents
25 charge is an additional \$3,000,000, is that it then, or

1 six?

2 A. I'm trying to understand your question.

3 Q. In other words, what's the enhanced revenue
4 that U S West would realize if the Commission was to
5 approve the 6.4 percent -- 6.4 cents per minute charge?

6 A. It's in the range of 6 million dollars, 6 1/2
7 million dollars.

8 Q. This cost study that is attached to your
9 testimony, one of the things I'm curious about -- and
10 perhaps this is a very fundamental thing. But is it
11 your testimony here today that the information
12 contained in that cost study is a true and accurate
13 representation of the figures as gleaned from the
14 ledgers of U S West?

15 A. That the inputs are?

16 Q. Yes.

17 A. The inputs are, yes. They are with
18 adjustments, of course.

19 Q. In other words, it's your testimony that this
20 represents the truth on behalf of U S West when this is
21 submitted to the Commission; is that correct?

22 A. That's correct.

23 Q. Okay. On page 4, line -- excuse me, page 6,
24 line 16 of your prefilled.

25 A. Page 4.

1 Q. Page 6, line 16.

2 A. Yeah, I'm there.

3 Q. And the sentence begins on that line and
4 reads, and I quote, "The inputs to the study are based
5 upon actual incurred South Dakota specific activity."
6 I'm curious about the terms "based upon." In other
7 words, are they actual figures, or what is -- is there
8 any qualification to the term "based upon" as you use
9 in that sentence?

10 A. I guess my intent when using that sentence is
11 the figures came from the South Dakota ledger, and the
12 South Dakota ledger -- see, I'd used the word based
13 upon is based upon the activity in South Dakota. It's
14 the South Dakota costs that are on the South Dakota
15 ledger following Part 32.

16 Q. What I'm getting at is the veracity of the
17 figures that you use. In other words, are they true
18 and accurate?

19 A. I believe so.

20 Q. So you believe so?

21 A. They're true and accurate. They are the
22 ledger figures, and I did not make every entry to the
23 ledger for South Dakota. I mean that's millions of
24 transactions. But it does represent the ledger, and
25 the ledger, you know, I can't say that I know what --

1 like I said -- I'm repeating myself, I'm sorry. But it
2 represents the ledger of the company and the costs in
3 the state of South Dakota.

4 Q. Okay. With regard to today's position taken
5 by U S West through your testimony that the staff's 6.1
6 cent per minute charge would be acceptable, when was
7 that decided by U S West?

8 A. That we would accept that position?

9 Q. Yes.

10 A. By U S West? Well, I got a copy of staff's
11 testimony in an overnight package on Saturday, so then
12 I knew for sure what staff's position was. And then I
13 didn't make the decision all by myself. It was my
14 recommendation that we just move to that position. And
15 so that would have been made Sunday or Monday or
16 Tuesday.

17 Q. And who did make that decision within U S
18 West?

19 A. I think it was a consensus, a consensus of
20 myself, legal counsel, Bill Heaston, and John Lehner.

21 Q. And does this in any way represent in any
22 respect a compromise between U S West and staff?

23 A. A compromise? No, no way is it a
24 compromise. We waited until we saw the staff position,
25 and then we made our decision based upon that.

1 MR. HOSECK: I don't believe I have any
2 further questions. Thank you.

3 THE CHAIRMAN: Commissioners.

4 COMMISSIONER SCHOENFELDER: I just have one.
5 Mr. Heaston, are you going to have other witnesses? I
6 don't see any other witnesses on the list, and I feel I
7 have a policy question I want to ask and not a cost
8 question, but I want it answered by U S West.

9 MR. HEASTON: We will put John Lehner on in
10 rebuttal because of some of the questions so if you
11 want to hold that.

12 COMMISSIONER SCHOENFELDER: I will. Thank
13 you.

14 THE CHAIRMAN: Mr. Burg.

15 COMMISSIONER BURG: I may do the same thing
16 on this one, but I'm going to ask it of you and you can
17 determine whether you know. Is the purposes of this
18 hearing both to determine the cost for U S West and to
19 establish tariffs?

20 A. My purpose in witnessing here is to establish
21 cost. I think you should save that question for
22 Mr. Lehner.

23 COMMISSIONER BURG: Okay. I think I probably
24 will.

25 THE CHAIRMAN: Any redirect?

1 MR. HEASTON: No, Mr. Chairman.

2 THE CHAIRMAN: Any recross by anyone? If
3 not, thank you, Mr. Culp.

4 MR. HEASTON: U S West has no further
5 witnesses.

6 THE CHAIRMAN: Staff.

7 MS. CREMER: Thank you, Mr. Chairman. Staff
8 would call Bob Knadle.

9 ROBERT KNADLE,

10 called as a witness, being first duly sworn,
11 was examined and testified as follows:

12 DIRECT EXAMINATION

13 BY MS. CREMER:

14 Q. Would you state your name and address for the
15 record, please.

16 A. Robert L. Knadle. My business address is
17 Public Utilities Commission, State Capitol Building,
18 Pierre, South Dakota, 57501.

19 Q. You're going to have to talk right into the
20 mike, Bob. What's your current position with the
21 Commission and how long have you been with them?

22 A. I'm a utility analyst with the Fixed
23 Utilities Division on the Commission. I've been with
24 the Commission since March of 1980. Is that better?

25 Q. Were you one of the analysts assigned to this

1 docket?

2 A. Yes.

3 Q. Have you reviewed U S West's application and
4 all the prefiled testimony?

5 A. Yes, I have.

6 Q. Did you prefile testimony in this docket?

7 A. Yes, I did.

8 Q. Before you is Exhibit -- I believe it's
9 marked 5. Can you identify that, please?

10 A. It is my prefiled testimony in this docket.

11 Q. Are there any changes or corrections to that
12 prefiled testimony?

13 A. No, there is not.

14 Q. If I were to ask you all the same questions
15 provided in that prefiled testimony, would you give the
16 same answers?

17 A. Yes, I would.

18 MS. CREMER: I would move to admit Exhibit 5.

19 THE CHAIRMAN: Any objections? If not, it's
20 admitted.

21 Q. What's the purpose of your testimony, Bob?

22 A. I shall comment and make recommendation to
23 Staff Witness Best regarding the following U S West
24 adjustments to operate an income property tax, AT&T
25 rebate, inflation, wages and employee levels, and

1 interest synchronization adjustment.

2 Q. What were your recommendations based upon?

3 A. They are based on U S West 1995 actual cost
4 of service filed in this case.

5 Q. Let's start with the property tax
6 adjustment. What is your recommendation to Mr. Best
7 with regard to that?

8 A. My recommendation would be to adjust the
9 property tax booked during the past year which reflect
10 the actual 1995 property taxes paid.

11 Q. What would be the effect of that adjustment?

12 A. The effect of the adjustment would be to
13 lower the company's proposed adjustment.

14 Q. What is the AT&T rebate adjustment?

15 A. It is an adjustment that U S West made a test
16 year basically to take out a rebate that they received
17 in 1995 that's related to purchases in 1994.

18 Q. And what's the effect of that adjustment?

19 A. Staff has received additional data from the
20 company on this adjustment. They have calculated the
21 adjustment incorrectly. My recommendation would be to
22 reflect corrected amount in the cost of service.

23 Q. Bob, I'm going to go back a minute. You were
24 going to discuss property tax, the rebate inflation,
25 wage and employee levels and interest synchronization.

1 I guess my question to you that I should have asked
2 prior was why those adjustments? How did you pick
3 those, or why those, and why were those the ones you
4 looked at?

5 A. Staff reviewed the company's filing, and we
6 accepted some adjustments. We made some adjustments to
7 some of the filing adjustments. Basically what we do
8 is we -- staff reviews the entire filing, and we
9 distribute the different adjustments to different staff
10 members to testify on.

11 Q. And these are just the ones that the issues
12 that you have?

13 A. These are the issues that I'm going to
14 testify on for the staff's case.

15 Q. Okay. Let's go back then. What's your
16 recommendation for an adjustment to inflation?

17 A. My recommendation would be to accept the
18 company's adjustment as it is consistent with court
19 precedent.

20 Q. What's interest synchronization?

21 A. Interest synchronization is an iterative
22 process to synchronize a tax deduction for interest on
23 debt with pro forma rate base and the rate of return
24 determination.

25 Q. And what was your recommendation in regard to

1 this?

2 A. I would recommend that Staff Witness Best
3 incorporate the adjustment to the cost of service. The
4 adjustment should reflect staff's pro forma rate base
5 and rate of return recommendation and be calculated in
6 the same manner as was done by U S West in their
7 adjustment.

8 Q. Next let's look at the wage increases and
9 employee levels. Could you tell us what you reviewed
10 here and what your recommended adjustment is?

11 A. Yes. I have reviewed the company's
12 adjustments for wage levels and employee levels, and I
13 would recommend that the proposed adjustments proposed
14 by U S West for wage increase in employee levels should
15 be accepted in the cost of service because they are
16 known measurable changes to the cost of service.

17 Q. And you heard Mr. Culp testify earlier when I
18 believe AT&T was questioning him on employee numbers?

19 A. Yes, I did.

20 Q. And would you agree with Mr. Culp in that --
21 well, let me ask you. What was your finding when you
22 looked through August of '96?

23 A. Staff requested data from U S West. We did
24 receive the employees' levels through August of 1996
25 and would not propose any further adjustment.

1 Basically, the employee levels have increased very
2 little from the December 1995 level. It was a slight
3 increase. And the effect, if I did accept the
4 adjustment, would increase the cost of service
5 approximately \$60,000.

6 MS. CREMER: I have no more questions. U S
7 West.

8 MR. HEASTON: No questions.

9 THE CHAIRMAN: Sprint, Mr. Tieszen?

10 MR. TIESZEN: No questions, Mr. Chairman.

11 THE CHAIRMAN: Mr. Gerdes, MCI?

12 CROSS-EXAMINATION

13 BY MR. GERDES:

14 Q. Good morning, Mr. Knadle.

15 A. Good morning.

16 Q. Do you agree with Mr. Culp's testimony in
17 which he contends that the costing methodologies
18 provided in the Federal Act do not apply to this
19 proceeding?

20 A. I don't have an opinion one way or another on
21 the Act.

22 Q. Would you agree with me that the rules that
23 were applied to the costing methodologies used in this
24 proceeding were the fully-distributed cost
25 methodologies provided in South Dakota Rule?

1 A. Yes.

2 Q. And would you also agree with me that these
3 are different than the total element long run
4 incremental cost methods that have been advocated by
5 others?

6 A. They are different.

7 Q. What we're talking about here is a rate of
8 return type regulation, would that be correct?

9 A. It has something to do with rate base rate
10 return regulation, yes.

11 Q. It is true, is it not, that the Commission
12 has pending before it right now a rule-making
13 proceeding to consider a revision of the costing rules
14 of the Commission?

15 A. That is my understanding.

16 Q. Have you looked at that docket at this point?

17 A. No, I have not.

18 Q. Do you agree with Mr. Culp's assertion that
19 we're dealing with interconnection here -- excuse me,
20 that we're dealing with switched access here, which is
21 different than interconnection and thus not
22 contemplated by the Federal Act?

23 A. I'm not well enough versed with the Federal
24 Act to answer your questions on that.

25 MR. GERDES: All right. Thank you. That's

1 all I have.

2 THE CHAIRMAN: AT&T, Mr. Lovald?

3 CROSS-EXAMINATION

4 BY MR. LOVALD:

5 Q. Mr. Knadle, as I understand it, you allowed
6 the inflation adjustment because of past precedent?

7 A. That's correct.

8 Q. Did you require any adjustment in the cost
9 study to reflect increasing minutes of use?

10 A. You would have to -- I'd have to defer that
11 question to Staff Witness Best.

12 Q. He would be the one best to answer that?

13 A. That's correct.

14 Q. Did you look at the adjustment for
15 represcribed depreciation?

16 A. Yes, I have, as other staff has looked at it
17 also.

18 Q. Would you agree with me that that is
19 additional depreciation that U S West was allowed to
20 bring into the rate base because of agreements reached
21 in the 121 docket?

22 A. What the adjustment does is reflect the rates
23 that the Commission approved in that docket.

24 Q. Would you agree with me that that particular
25 rate adjustment for represcribed depreciation is not an

1 FDC based theory or costing approach?

2 A. I guess, could you rephrase that question?

3 Q. If you followed strict FDC costing, could you
4 allow that sort of an element?

5 A. If the depreciation rate was approved, it
6 would be the cost -- would be what the costs are so it
7 would be reflected in the study.

8 Q. But it relates to -- it relates to economic
9 lives; isn't that correct?

10 A. I haven't reviewed it in that much detail,
11 the depreciation, to know what it reflects, I guess.

12 MR. LOVALD: I have no further questions.

13 THE CHAIRMAN: Mr. Pfeifle?

14 MR. PFEIFLE: Thank you.

15 CROSS-EXAMINATION

16 BY MR. PFEIFLE:

17 Q. Based on your review of the cost study -- you
18 had a chance to review it, did you not?

19 A. Not in great detail that would -- I'll try to
20 answer your questions if I can. If not, I'm going to
21 have to defer it.

22 Q. Based on what you had an opportunity to
23 review, did the sale of the 55 exchanges by U S West
24 have any impact on the results of this cost study?

25 A. It was an adjustment that would basically

1 eliminate some operating income adjustments and rate
2 base, therefore it would probably lower the rate.

3 Q. Was the projected depreciation used in this
4 cost study adjusted for the impact of the sale of these
5 exchanges?

6 A. The depreciation rate was reflected in the
7 sale.

8 Q. If U S West's investment in South Dakota is
9 reduced by the amount of the proceeds, wouldn't the
10 depreciation be adjusted downward; right?

11 A. Right, it would reflect the adjustments that
12 would go with the sale.

13 MR. PFEIFLE: That's all I have. Thank you.

14 THE CHAIRMAN: Mr. Hertz?

15 MR. HERTZ: No questions.

16 THE CHAIRMAN: Commission counsel?

17 MR. HOSECK: Yes.

18 CROSS-EXAMINATION

19 BY MR. HOSECK:

20 Q. Mr. Knadle, could you look at page 3,
21 starting at line 13 of your testimony, please? This is
22 with regard to the adjustment for inflation, which I
23 understand to be one-half of the percentage of the
24 consumer price index in the test year. And it reflects
25 that this was apparently applied to operation and

1 maintenance expenses not otherwise adjusted; is that
2 correct?

3 A. That's correct.

4 Q. What were these other operation and
5 maintenance expenses and how were they adjusted?

6 A. They had a depreciation expense adjustment in
7 their wage level adjustment, those type of adjustments
8 that were specifically adjusted for a cost of service,
9 they were subtracted from total O and M.

10 Q. Was there any uniform percentage applied to
11 those adjustments?

12 A. I don't understand your question.

13 Q. In other words, was there any uniform
14 increase for inflation that was applied to those items
15 that you just mentioned?

16 A. No, there wasn't.

17 Q. Could you tell me what the range of the
18 increases were?

19 A. For wage levels?

20 Q. Yes. The other items that you mentioned.

21 A. There was a 1995 management salary adjustment
22 for 103,000. 1996 management salary adjustment for
23 535,000. 1995 occupational wage adjustment for
24 144,000. 1996 occupational wage adjustment for
25 557,000. Is that enough?

1 Q. Did you calculate those out in terms of a
2 percentage? In other words, how they would relate to
3 half a percent of the consumer price index or anything
4 of that nature?

5 A. No, I did not.

6 Q. You didn't do it for the other items either?

7 A. No.

8 Q. On page 2 of your testimony starting at
9 about, well, line 5 where you list the adjustments that
10 you look at the five adjustments that were made. Were
11 there any other adjustments that you considered?

12 A. That I just considered?

13 Q. Yes.

14 A. Staff considered all their adjustments that
15 U S West made to their filing.

16 Q. But with these five, were those the only ones
17 that you considered as a part of your analysis?

18 A. Basically what staff does, it's kind of a
19 group session. We discussed each individual adjustment
20 amongst ourselves and then decide which route to take
21 basically on the adjustments.

22 Q. Well, what I'm getting at were there any
23 other adjustments that were considered by you?

24 A. No. These are the adjustments that I'm going
25 to testify to.

1 Q. And you previously testified that your work
2 was based on U S West's cost study that was filed.
3 What were the sources of information that you used in
4 your analysis?

5 A. The work papers that U S West supplied to
6 staff data requests that we had with the company that
7 they supplied additional information for adjustments.

8 Q. What was the level of validation that was
9 used as far as information furnished by U S West?

10 A. Staff Witness Best gets monthly reports, I
11 think, or quarterly reports; and he checked the numbers
12 with the reports that he received and, I believe, the
13 ARMIS reports. And Staff Witness Best would be better
14 able to answer some additional sources that we have.

15 Q. And with regard to your data requests, were
16 the responses to those furnished under oath?

17 A. No, they were not.

18 Q. Did you handle the depreciation issue at all
19 in your analysis?

20 A. I reviewed the depreciation --

21 Q. Have you --

22 A. -- adjustment.

23 Q. Have you read the prefiled testimony of
24 Patricia Parker, who was a witness on behalf of AT&T?

25 A. Yes, I have.

1 Q. There is an allegation in there that there
2 were increased costs on the part of U S West which were
3 sustained by shortening the depreciation lives and that
4 this was done in an arbitrary manner. The question I
5 would have is have you reviewed the depreciation in
6 this case in light of the allegations made by Miss
7 Parker?

8 A. We've looked at the depreciation adjustment
9 that the company made, which was in accordance with
10 settlement that the Commission approved. So basically
11 what we did was made sure the rates reflected what the
12 Commission had already approved.

13 Q. I guess -- well, the question I have is and,
14 I believe the allegation was that there was an
15 arbitrary shortening on these depreciation lives. Have
16 you formed an opinion as to whether or not you believe
17 that to be true?

18 A. No, I have not.

19 MR. HOSECK: Okay. I have no further
20 questions.

21 THE CHAIRMAN: Commissioners? Any redirect?

22 MS. CREMER: I have no redirect.

23 THE CHAIRMAN: Thank you. Is there any
24 recross? If not, thank you, Mr. Knadle. Present your
25 next witness, staff.

1 MS. CREMER: Staff would call Harlan Best.

2 HARLAN BEST,

3 called as a witness, being first duly sworn,
4 was examined and testified as follows:

5 DIRECT EXAMINATION

6 BY MS. CREMER:

7 Q. Would you state your name and address for the
8 record, please.

9 A. Harlan Best, Public Utilities Commission at
10 500 East Capitol.

11 Q. What's your current position with the
12 Commission and how long have you been with them?

13 A. I am the deputy director of Fixed Utilities.
14 I have been with the Commission over 21 years.

15 Q. Were you one of the analysts assigned to this
16 docket?

17 A. Yes.

18 Q. Have you reviewed U S West's application and
19 all the prefiled testimony?

20 A. Yes.

21 Q. Did you prefile testimony in this docket?

22 A. Yes, I did.

23 Q. Before you is what's been marked as Exhibit
24 4. Could you identify that, please?

25 A. This is the prefiled testimony that I

1 submitted, along with 2 schedules; Schedule 1
2 consisting of 13 pages, and Schedule 2 consisting of
3 the switched access cost study model that used the
4 inputs that were taken from Schedule 1.

5 Q. Are there any changes or corrections to that
6 prefiled testimony?

7 A. Not that I'm aware of.

8 Q. If I asked all the same questions provided in
9 the prefiled, would you give the same answers?

10 A. Yes, I would.

11 MS. CREMER: I would move to admit Exhibit 4.

12 THE CHAIRMAN: Any objection? If not, it's
13 admitted.

14 Q. Could you summarize your testimony for us
15 today, that is, the purpose of your testimony?

16 A. The purpose of my testimony is to give my
17 opinion to the Commission based on ARSD 20:10:27 to
18 20:10:29 regarding the U S West switched access cost
19 study that was submitted in this proceeding.

20 Q. And did you, as Mr. Knadle stated -- what is
21 it that Mr. Knadle and Mr. Rislov recommended to you?

22 A. They provided me with the adjustments that
23 are shown on Schedule 1, page 9, 10, and 11, 12, 13
24 that are added to the Part 32 numbers to arrive at the
25 input numbers that are then put into Sheet V, as in

1 Victor, of Schedule 2.

2 Q. Bottom line, Harlan, what's the overall rate
3 per minute that staff is recommending and where is it
4 found?

5 A. It's shown on Schedule 2, Sheet A, column B,
6 as in bravo, the access rate per minute is .061459
7 dollars.

8 Q. And can you tell us how that number was
9 derived?

10 A. It was based on the doing the inputs into
11 Sheet B, the traffic factors into Sheet G, and the
12 program then runs itself. You might have to go in and
13 put any direct allocations in specific line items. But
14 that then gives you the access rate per minute as shown
15 on Sheet A of Schedule 2.

16 MS. CREMER: That's all the questions I
17 have.

18 THE CHAIRMAN: Cross-examination, U S West?

19 MR. WELK: Yes, Mr. Chairman.

20 CROSS-EXAMINATION

21 BY MR. WELK:

22 Q. Good morning, Mr. Best.

23 A. Good morning.

24 Q. Mr. Best, as I understand your testimony, is
25 that other than the adjustments that were recommended

1 by staff, the U S West cost study submitted in this
2 proceeding complies with the applicable Commission
3 regulations for determining switched access services in
4 South Dakota; is that correct?

5 A. Yes, it is in compliance with the
6 Administrative Rules.

7 Q. Just for the record, who else besides U S
8 West sells intrastate switched access services in South
9 Dakota?

10 A. It would be the members of LECA, which is the
11 Local Exchange Carrier Association. Mount Rushmore
12 Telephone and Kadoka Telephone, and Dakota Co-op
13 Telecommunications, along with U S West.

14 Q. How many companies are there that are members
15 of LECA?

16 A. There are 23 cost member companies and five
17 average schedule member companies, I believe.

18 Q. Does SDN also sell intrastate switched
19 access?

20 A. I believe they do.

21 Q. So that would be another provider of
22 intrastate switched access?

23 A. Yes.

24 Q. What is the current average rate for
25 originating and terminating for intrastate switched

1 access for the LECA companies?

2 MR. GERDES: Objection, irrelevant.

3 THE CHAIRMAN: Overruled. We've been giving
4 a lot of latitude this morning.

5 A. In Docket TC96-022, the rate that went into
6 effect August 1st of 1996, the total originating rate
7 is 7.042 cents and the terminating rate is 9.377
8 cents.

9 Q. What about the switched access rate in South
10 Dakota currently for Mount Rushmore?

11 A. Mount Rushmore's rate is the total of the 23
12 cost companies of LECA, plus Dakota Co-op's cost and
13 that is then averaged over those 24 companies. That
14 rate went into effect on July 1 of 1994 in Docket
15 TC93-034. And that has the same originating and
16 terminating rate of 8.7 cents.

17 Q. What about Kadoka? What is the switched
18 access rate, current switched access rate, originating
19 and terminating?

20 A. Kadoka's process would be the same as what
21 Mount Rushmore would undergo with the 24 cost
22 companies, excluding U S West and in Docket TC93-033
23 that came up with the same rate that Mount Rushmore has
24 of 8.7 cents for originating and terminating.

25 Q. What about Dakota Co-op, what is its current

1 tariffed intrastate switched access terminating rates
2 on minute of uses?

3 A. Those rates were determined in docket
4 TC93-076. The originating rate is 8.0524 cents and the
5 terminating rate is 10.0024 cents.

6 Q. Do you know the current intrastate switched
7 access rates for SDN? That stands for the South Dakota
8 network.

9 A. No, I do not. I'd have to look that up.

10 MR. WELK: And could we have that reserved as
11 a late-filed exhibit that Mr. Best could furnish to the
12 Commission as Exhibit 16, would be the intrastate
13 switched access rates of SDN -- excuse me, 17. May I
14 have permission for that as a late-filed exhibit?

15 THE CHAIRMAN: Yes, we can accept that.

16 Q. Are the rates that are set by LECA member
17 companies, Mount Rushmore, Kadoka, Dakota Co-op, and
18 SDN, set in the same manner pursuant to the same
19 computer model that was being used in this case?

20 A. The Mount Rushmore and Kadoka's rates would
21 be a composite average of 24 cost companies. The basis
22 would be the same. It would be the Administrative
23 Rules, yes.

24 Q. Would that be -- would all the other
25 companies, Dakota, LECA's, they would also be

1 determined by the same model, the same methodology
2 that's been used to review the cost studies submitted
3 by U S West?

4 A. Yes, the input numbers would be specific to
5 the individual companies.

6 MR. WELK: I have no further questions.
7 Thank you, Mr. Chairman.

8 THE CHAIRMAN: Mr. Tieszen?

9 MR. TIESZEN: No questions.

10 THE CHAIRMAN: Mr. Gerdes?

11 MR. GERDES: No questions.

12 THE CHAIRMAN: Mr. Lovald?

13 CROSS-EXAMINATION

14 BY MR. LOVALD:

15 Q. Mr. Best, Mr. Welk just got done asking you
16 about a whole host of companies -- and I don't claim to
17 recall all the names -- that have had cost studies
18 approved under the Commission rules. And I think one
19 of the questions was did they go through the same
20 process. I'd like to ask you another question about
21 all of the member LECA companies that have had cost
22 studies filed or approved with this Commission. Have
23 any of them sought and/or obtained Commission approval
24 on an alternative price regulation plan?

25 MR. WELK: Objection. Alternative price

1 regulation as to what?

2 MR. LOVALD: As to switched access, among
3 other things.

4 A. The Commission has -- the only jurisdiction
5 the Commission has over the LECA member companies,
6 Dakota Co-op, Kadoka, Mount Rushmore, is switched
7 access regulation. And they have filed in accordance
8 with the Administrative Rules and implemented rates
9 that have come out of those cost studies.

10 Q. Strictly cost studies that have been filed to
11 determine their rates; correct?

12 A. Yes.

13 Q. Are you familiar with the stipulation that
14 was entered by U S West in Docket 93 -- I think it's
15 108?

16 A. Yes.

17 Q. Were any of the LECA companies signatories to
18 that stipulation?

19 A. I'd have to look at the document. I would
20 imagine the document would show who signed it.

21 Q. Okay. In your testimony I think you have
22 commented that -- strike that. I'm going to start
23 again. In the last page of your testimony you
24 testified that the main reason for the fact that there
25 was a decrease in the computer model determinings are

1 of U S West's switched access was that minutes of use
2 increased more than expenses. Do you agree that's
3 basically a summarization of your testimony?

4 A. Well, at line 13 of page 5, the question is,
5 is there one item that caused the difference in rates
6 from this filing, meaning TC96-107, with the filing in
7 TC93-108. And my response is the minutes of use
8 increased more than the expenses.

9 Q. Would you agree that your intent in making
10 that answer was that that was the one primary reason
11 why the cost of the computer result went down?

12 A. When comparing the results of Sheet A to the
13 respective dockets, it shows that the minutes of use
14 changed along with the expenses. And by just looking
15 at that one would make the basic assumption that if the
16 rate went down, the minutes of use would have increased
17 more than the expenses. That would be one way,
18 otherwise it would go the other way.

19 Q. And that would have been over the time period
20 accruing between 1993 and 1996; is that correct?

21 A. TC93-108 had a test period of year end 1992.

22 Q. So then we'd be talking about a period of
23 four years?

24 A. It would be a three-year difference, '92 to
25 '95.

1 Q. Would you agree that that trend that you
2 observed through the review of those exhibits as to
3 minutes of use comparisons with expense increase is a
4 known and measurable factor?

5 A. In that the 1993 included 55 exchanges that
6 were removed in the '95 docket. I guess I didn't go
7 back and specifically look at what would be the minutes
8 of use in 1992 for the remaining exchanges excluding
9 the 55 that were sold.

10 Q. I guess maybe I can wrap my questions up in
11 this manner. As I understand it, you're recommending
12 that U S West receive an inflationary adjustment on the
13 expense side of the model; is that correct?

14 A. Witness Knadle made that recommendation to
15 me, yes, based on court orders.

16 Q. But would you agree with me that there's no
17 corresponding adjustment that's been included in this
18 cost model to reflect the trend in increasing minutes
19 of use that you based your testimony on page 5 upon in
20 reviewing exhibits?

21 A. Minutes of use were not updated beyond the
22 removal of the sale for the 55 exchanges.

23 Q. I take that to mean that there was no
24 required adjustment beyond that?

25 A. An adjustment was not made.

1 MR. LOVALD: I have no further questions.

2 THE CHAIRMAN: Mr. Hertz?

3 MR. HERTZ: Yes, thank you.

4 THE CHAIRMAN: I forgot Mr. Pfeifle. I think
5 you were next.

6 MR. PFEIFLE: No. If Mr. Hertz is ready to
7 go, that's fine.

8 THE CHAIRMAN: Okay.

9 CROSS-EXAMINATION

10 BY MR. HERTZ:

11 Q. Mr. Best, the rate that the Commission ended
12 up with, or Commission staff ended up recommending is
13 6.15 cents. Is that a composite of the various
14 elements?

15 A. As shown on Schedule 2, yes, it is.

16 Q. And the program that produces the rate, or
17 the model that produces the rate breaks down those --
18 or actually produces separate rates for each element?

19 A. Yes. The program comes up with an access
20 rate per minute for common line local switching and
21 common transport based on the access element minutes of
22 use that are inputted into Sheet A.

23 Q. So there is a transport element in the rates
24 as well?

25 A. Yes.

1 Q. And would that vary depending on who's
2 actually buying the service from U S West?

3 A. Yes. There are -- it's broken out by, I
4 believe, by mileage and there's some that is mileage.
5 There is a mileage element involved.

6 Q. So some people could end up paying higher
7 than 6.15, and some people could end up paying less
8 than 6.15 cents; is that correct, depending upon where
9 they interconnect with U S West?

10 A. I believe that's correct.

11 Q. At the same time that U S West filed the cost
12 study, or shortly thereafter, they filed a tariff with
13 the Commission and changes to their access services
14 tariff in which incorporated the rates that they had
15 proposed in their original filing. Among other things
16 in that filed tariff with the Commission there is
17 something called a transitional rate. Could you
18 explain what that is?

19 A. That would be the rate that would be charged
20 in nonequal access exchanges.

21 Q. Is that nonequal access on the interstate
22 side?

23 A. Yes.

24 Q. Are there any places in South Dakota that are
25 not equal access on the interstate side?

1 A. Not that I'm aware of for U S West.

2 Q. So the transitional rate shown in their
3 tariff would not apply to any customers in South
4 Dakota?

5 A. It may apply -- I don't believe it applies.

6 Q. Are you aware of any carrier in South Dakota
7 that has a different access rate -- or, excuse me, let
8 me rephrase that. Do all interexchange carriers
9 purchasing access from U S West in South Dakota pay the
10 same rate subject to the mileage charge?

11 A. The transport?

12 Q. The transport.

13 A. That would be the one that would be
14 different.

15 Q. You aren't aware of any rates that may be
16 contracted rates, for example, that might be lower than
17 the tariffed rates?

18 A. For switched access?

19 Q. Yes.

20 A. I'm not aware of any.

21 MR. HERTZ: Thank you. I have no additional
22 questions.

23 THE CHAIRMAN: Mr. Pfeifle.

24 MR. PFEIFLE: Thank you, Mr. Chairman.

25

CROSS-EXAMINATION

1
2 BY MR. PFEIFLE:

3 Q. Mr. Best, on the rates mentioned charged by
4 LECA, Mount Rushmore, Kadoka, et cetera, don't these
5 rates charged by these intrastate carriers reflect the
6 high cost of serving rural areas of low population?

7 A. You said intrastate carriers?

8 Q. Yes. The LECA, Mount Rushmore, Kadoka, et
9 cetera, when you were giving those rates, wouldn't
10 those rates reflect the high cost of serving rural
11 areas with low populations?

12 A. I don't believe you can generalize it that
13 specific, because Brookings Municipal is a member of
14 LECA. I don't believe they serve any rural territory.

15 Q. An overall perhaps?

16 A. I'm having a hard time with high cost. I
17 will give you that they serve rural areas, yes.

18 Q. Okay. Based on the sale of the 55 exchanges
19 by U S West, what was the impact on the depreciation
20 expense?

21 A. You're comparing the depreciation expense
22 before the sale versus after?

23 Q. Yes.

24 A. It went down?

25 Q. Yes?

1 A. Yes, it went down.

2 Q. Shouldn't it be, in fact, a significant
3 adjustment, though?

4 A. Are you looking at the, in effect, the
5 subject to separations numbers, or the ones that are
6 actually used for the determining of switched access
7 rates?

8 Q. What I'm looking at is the depreciation
9 needed to recover fixed costs after the sale. Wouldn't
10 it be much less than before the sale of the exchanges?

11 A. I don't know.

12 MR. PFEIFLE: Thank you. That's all I'd
13 have.

14 THE CHAIRMAN: Commission counsel?

15 MR. HOSECK: Yes.

16 CROSS-EXAMINATION

17 BY MR. HOSECK:

18 Q. Mr. Best, could you look at page 3 of your
19 prefiled testimony, please?

20 A. Yes.

21 Q. And starting at about line 15 you talk about
22 verifying expenses and rate base through something
23 called an Automated Reporting Management Information
24 System, ARMIS, A-R-M-I-S-, for the reporter. Was this
25 the source of the information that you used in reaching

1 any conclusions that you reached?

2 A. The ARMIS report is signed by two corporate
3 officers of U S West that comes up with the total Part
4 36 column that's shown on Schedule 1, and that runs
5 through from page 1 through page 7.

6 Q. And is this report audited in any respect?

7 A. I believe that the U S West external
8 auditor's, Coopers and Liebrandt, audited the company's
9 ledgers, and the company's ledger is used to determine
10 what is filed within the ARMIS report.

11 Q. So that I understand this, what is the
12 relationship between the ARMIS report and the
13 verification that you did in your analysis? How was it
14 used, in other words?

15 A. The ARMIS report was the start point for the
16 total company numbers which are Part 32.

17 Q. What other sources, then, did you rely upon
18 besides the ARMIS report?

19 A. I then compared the ARMIS report to the -- I
20 receive a monthly report, Number 5, from U S West, and
21 that report shows plant in service, and that number
22 agreed with the number that appeared within the ARMIS
23 report.

24 Q. And was there anything done by you to verify
25 the information that was either contained in the

1 monthly reports or the ARMIS report?

2 A. By "verify" do you mean did I go to U S West
3 in Omaha and check the actual ledger? No, I did not.

4 Q. Was there any random sampling done in this at
5 all?

6 A. No.

7 Q. Have you previously been in the hearing room
8 today and heard the testimony of Mr. Culp on behalf of
9 U S West?

10 A. Yes.

11 Q. Do you disagree with his evaluation of the
12 worth of this case to U S West?

13 A. Like Mr. Culp, I have not done that
14 mathematics, but I will accept his number.

15 Q. Okay. And have you had the opportunity to
16 review the prefiled testimony of Patricia Parker on
17 behalf of AT&T?

18 A. I read her testimony, yes.

19 Q. And in your analysis did you do any type of
20 looking into the issue of depreciation?

21 A. No.

22 Q. So if I were to ask you the question whether
23 or not you had any opinion on her analysis of the
24 shortening of depreciation lives, you would not be in a
25 position to express an opinion, would that be correct?

1 A. Not without doing some additional review.

2 MR. HOSECK: I don't believe I have any
3 further questions.

4 THE CHAIRMAN: Commissioners, do you have any
5 questions?

6 COMMISSIONER BURG: I have just one. It kind
7 of goes along with some of my comments before. Has the
8 Commission opened the docket to review the rules
9 governing the cost determination of switched access?

10 A. I believe that's docket TC96-032.

11 COMMISSIONER BURG: What's the purpose of
12 that?

13 A. My understanding is that the commissioners
14 have directed staff to look at the Administrative Rules
15 and determine how they should be modified, if they
16 should be modified.

17 COMMISSIONER BURG: What would be the purpose
18 of looking at modification of them?

19 A. Would be to possibly go beyond or to go away
20 from the embedded, fully embedded direct analysis.

21 COMMISSIONER BURG: And what prompted that
22 probably, this re-analysis?

23 A. Well, everything else seems to be pointing to
24 the Telecommunications Act of 1996, so I would imagine
25 that had some input into the direction that the

1 commissioners gave to staff.

2 COMMISSIONER BURG: Do you have any kind of
3 estimation of how -- what kind of a time period it will
4 take to do that determination?

5 A. Well, the Federal Communications Commission
6 also is in the process, I believe, of trying to come up
7 with some rules that would modify their Part 36 or Part
8 69, and depending upon what those rules come up with,
9 they may or may not have an impact on what the
10 Commission would want to do within TC96-032.

11 COMMISSIONER BURG: And if TC96-032 did
12 determine that there were some adjustments that need to
13 be made, what would be the process? Would we go back
14 and adjust the model to reflect that?

15 A. I believe the Administrative Rules would have
16 to be rewritten so would have to go through the
17 Legislative Research Council and get the appropriate
18 legal proceeding that way. And then the Administrative
19 Rules would, in fact, be approved and the companies
20 would be subject to filing new cost studies that would
21 then implement the new rules.

22 COMMISSIONER BURG: Would your estimation be
23 we can take the model that was developed by the
24 Commission; is that correct, that model that was used
25 for the purposes of determining these costs was

1 developed by the Commission and a consultant? Is that
2 accurate?

3 A. That the cost study that's used in this
4 proceeding, could we use that?

5 COMMISSIONER BURG: What I'm saying is that's
6 how we arrived at this cost study and how they
7 submitted their numbers to be applied to a model
8 developed with the Commission staff and a consultant;
9 is that right?

10 A. I'm not following your question, I'm sorry.

11 COMMISSIONER BURG: What I've heard before in
12 testimony today is that the figures that we see in the
13 determination of the costs came from a model that is
14 applied to the costs of every company; is that correct?

15 A. The Commission cost model was put together by
16 a consultant. The consultant built that model based on
17 the Administrative Rules.

18 COMMISSIONER BURG: Right. And so if we
19 would change Administrative Rules, could we adjust that
20 cost model to use, do you think?

21 A. It might be easier to create a whole new
22 model than to modify what's already there.

23 COMMISSIONER BURG: I guess in the line of my
24 questioning is in my determination in the end is what I
25 want to avoid is a yo-yo effect on switched access

1 rates. In other words, there are one level now. They
2 come to another level because of this. You have to do
3 a cost study, there's another one, and I'm going to be
4 looking for a way to try to prevent -- or to at least
5 be aware of what the effect might be of this kind of an
6 approach. And that was the reason for my line of
7 questioning. I think that answers it adequately.
8 Thank you.

9 THE CHAIRMAN: Commissioner Schoenfelder.

10 COMMISSIONER SCHOENFELDER: Mr. Best, I
11 believe Mr. Welk asked you some questions about the
12 LECA, the switched access rates for LECA, for DCI and
13 Kadoka, Mount Rushmore, and for the South Dakota
14 Network?

15 A. For DCT, yes.

16 COMMISSIONER SCHOENFELDER: I'm sorry, my
17 acronyms are screwed up. I don't believe anyone asked
18 you, though, the result of their most recent switched
19 access rates for those companies. They asked you the
20 prices and the amounts. Did those prices go up or down
21 for LECA?

22 A. For LECA those -- the rate that went into
23 effect on the 1st of August of this year is a decrease
24 from what was in effect approximately a year before
25 that.

1 COMMISSIONER SCHOENFELDER: And I believe
2 that DCT has a switched access rate before us, is that
3 not true?

4 A. Yes. That is Docket TC96-104.

5 COMMISSIONER SCHOENFELDER: And what about
6 Kadoka and Mount Rushmore?

7 A. Kadoka and Mount Rushmore the rate would be
8 re-established, or should be re-established for
9 whatever reason those rates were never -- or had not
10 been re-established since 1993 and those should have
11 been changed to 1994 and '95.

12 COMMISSIONER SCHOENFELDER: And the South
13 Dakota Network?

14 A. Right. Those companies have not followed
15 through or increased or decreased their rates as
16 appropriate.

17 COMMISSIONER SCHOENFELDER: Don't we have a
18 three-year review of that or something? Refresh my
19 memory, please.

20 A. Administrative Rule requires that cost
21 studies be submitted at least every third year.

22 COMMISSIONER SCHOENFELDER: And South Dakota
23 Network has not done that?

24 A. Right. And I think there's a process that
25 didn't get taken care of with Kadoka and Mount Rushmore

1 and that their rates should have been changed each time
2 that LECA changed their rate, but for whatever reason
3 that never occurred.

4 COMMISSIONER SCHOENFELDER: Okay. But the
5 LECA companies did decrease their switched access
6 rates?

7 A. Yes.

8 COMMISSIONER SCHOENFELDER: Thank you.

9 THE CHAIRMAN: Follow-up question of that.
10 Decrease it from what to what in August?

11 A. That I don't have with me, but it's the --
12 they filed tariff changes effective July 1st of '96 and
13 August 1st of '96 that were decreased from the rate
14 that was in effect the year before.

15 THE CHAIRMAN: And I think earlier in your
16 testimony you did give the present rates, did you not,
17 for all these companies?

18 A. Yes.

19 THE CHAIRMAN: All right. Any redirect?

20 MR. WELK: Just two quick questions.

21 REDIRECT EXAMINATION

22 BY MR. WELK:

23 Q. Mr. Best, in the cost study that U S West did
24 in 1993 that was revised in 1994 for the test year
25 1992, that cost rate was approximately 6.7 cents per

1 minute; is that correct?

2 A. The rate that was in TC93-108, yes.

3 Q. And U S West rate was just adjusted by the
4 staff and today is 6.1 cents; is that correct?

5 A. Yes.

6 MR. WELK: I have nothing further.

7 THE CHAIRMAN: Ms. Cremer?

8 MS. CREMER: I have nothing.

9 THE CHAIRMAN: Any recross from anybody? If
10 not, thank you, Mr. Best.

11 It's now about ten after 12:00. This may be
12 a good time to adjourn for lunch. Recess for lunch, I
13 should say. Let's be back here, if we can, at 1:30.

14 (AT THIS TIME THE NOON RECESS WAS TAKEN.).

15 THE CHAIRMAN: Did you offer Exhibits 1 and
16 2?

17 MR. WELK: My understanding is we did not
18 offer those.

19 THE CHAIRMAN: Do you want to?

20 MR. WELK: No. I believe they're cost
21 studies that were previously introduced and these were
22 the revised ones. 3 is the revised one that is
23 actually being litigated at this time.

24 THE CHAIRMAN: Staff?

25 MS. CREMER: Yes. Before I begin, however,

1 late-filed Exhibit No. 17 I have given to the Court
2 Reporter. And I didn't make copies for everyone
3 because I wasn't sure how many or who wanted it, but
4 you can let me know and we'll make copies of those
5 downstairs if you want that. And that is the SDN.

6 Staff would call Greg Rislov.

7 GREGORY RISLOV,
8 called as a witness, being first duly sworn,
9 was examined and testified as follows:

10 DIRECT EXAMINATION

11 BY MS. CREMER:

12 Q. Could you state your name and address for the
13 record?

14 A. My name is Gregory Rislov. My business
15 address is the Capitol Building, Pierre, South Dakota.

16 Q. And can you tell us what your current
17 position is with the Commission and how long you've
18 been with the Commission?

19 A. I've been with the Commission approximately
20 20 years. My title is director of the Fixed Utilities
21 Division.

22 Q. Were you one of the analysts assigned to this
23 docket?

24 A. Yes, I was.

25 Q. And have you reviewed U S West's application

1 and all the prefiled before this morning?

2 A. Yes, I have.

3 Q. Did you prefile testimony in this docket?

4 A. Yes, I did.

5 Q. Before you is an exhibit marked Exhibit 6.
6 Could you identify that, please?

7 A. This is the testimony I filed in this
8 docket.

9 Q. Do you have any changes or corrections to
10 that testimony?

11 A. No.

12 Q. And if you were asked the questions provided
13 in that prefiled testimony, would you give the same
14 answers?

15 A. Yes, I would.

16 MS. CREMER: I would move to admit Exhibit
17 6.

18 THE CHAIRMAN: Any objection? It's admitted.

19 Q. Similar to Mr. Knadle, was the purpose of
20 your testimony to make recommendations to Mr. Best?

21 A. Yes, it was.

22 Q. And could you tell us what issues you
23 analyzed and why you -- why those issues were chosen?

24 A. I made some general comments about the test
25 year. In addition, I made recommendations with regard

1 to four issues.

2 Q. What was the test year that was employed?

3 A. Calendar year 1995 adjusted for known and
4 measurable change.

5 Q. Did staff accept all of U S West's proposed
6 adjustments?

7 A. No, we didn't.

8 Q. Could you tell us what adjustments the staff
9 disagreed with beginning with the cost of service
10 adjustments?

11 A. Well, Staff Witness Knadle covered, I
12 believe, five of those adjustments in his testimony.

13 Q. Right.

14 A. The remainder appear in my testimony. Would
15 you like me to go through one by one?

16 Q. Yeah. I believe on page 5 of your testimony
17 you started with the cost of service adjustments. That
18 first one is a pension asset. Can you tell us what
19 that is and what adjustments you made?

20 A. The pension asset is an excess of funding
21 over and above the mentioned expense accruals. U S
22 West had included that amount in rate base. My
23 adjustment removes that from rate base, which would
24 lower rate base.

25 Q. And what is the 1994 federal tax true-up?

1 A. U S West estimates its taxes, as do most
2 large corporations. In 1995 November, they computed
3 the actual for 1994 that appeared in the deferred
4 reserve account as an offset to the deferred reserve,
5 which would then in effect increase rate base. This
6 Commission in the past has not allowed these sort of
7 short-term adjustments to the reserves to stand. The
8 reserve, again, in the past includes such items as
9 depreciation, tax timing difference, things of that
10 nature. This being more short-term in nature, it was
11 -- at least in the past it's never been felt
12 appropriate that should be -- should enter into the
13 rate base simply because this changes from year to
14 year.

15 Q. What was your recommendation as to this?

16 A. Essentially, that the reserve or the rate
17 base effect shouldn't be reflected as advocated by U S
18 West in their filing for this adjustment. That would
19 in effect reduce the rate base.

20 Q. What was staff's recommendation to the
21 reconciliation reserve reversal?

22 A. It's my belief that this ties closely to the
23 adjustment I just discussed. And U S West agreed to
24 remove this from their cost of service.

25 Q. And, again, what was the effect of that?

1 A. It again had the effect of reducing rate
2 base.

3 Q. And as to return on equity, what was staff's
4 recommendation there and why?

5 A. The recommendation was 11 1/2 percent. That
6 was the number agreed upon in the recent settlement in
7 Docket TC94-121. And we felt because so little time
8 had passed since that case had been approved by the
9 Commission, we plugged in the same return on equity
10 number we used in that docket. That, again, had the
11 effect of lowering U S West cost of service.

12 Q. And just for the record, U S West had
13 originally requested a higher return on equity; is that
14 correct?

15 A. That's correct.

16 Q. Do you recall what that number was?

17 A. I believe it was 12.8. It appeared in
18 Witness Culp's testimony.

19 Q. I believe you're right.

20 MS. CREMER: That's all the questions I have.

21 THE CHAIRMAN: Cross-examination, U-S West?

22 MR. WELK: No questions.

23 THE CHAIRMAN: Sprint, Mr. Tieszen?

24 MR. TIESZEN: No questions, Mr. Chairman.

25 THE CHAIRMAN: Mr. Gerdes, MCI?

1 MR. GERDES: Just one question. Are you one
2 and the same person that's that person I've heard
3 referred to this fall as Scott Rislov's dad?

4 A. That would be me, yes.

5 Q. Okay. Because I hadn't heard your name
6 before this fall.

7 That's all I have, Mr. Chairman.

8 THE CHAIRMAN: That was important.
9 Mr. Lovald, AT&T?

10 CROSS-EXAMINATION

11 BY MR. LOVALD:

12 Q. Mr. Rislov, on page 3 of your prefiled you
13 indicated that the staff objections to the U S West
14 cost study were relatively few because of agreements
15 reached in TC94-121. Does that basically reflect your
16 position?

17 A. It was meant to be explanatory as to at least
18 in part as to why we got to the number we got to.

19 Q. You would agree that switched access was an
20 issue that was dealt with in the 121 docket; is that
21 correct?

22 A. I heard that this morning but, no, I don't
23 recall it being dealt with in the 121 docket. The 121
24 docket was essentially driven toward establishing local
25 rates.

1 Q. Do we have Exhibits 14 and 15? Are they --
2 Mr. Rislov, do you have Exhibits 14 and 15 in front of
3 you?

4 A. Yes, I do.

5 Q. Is Exhibit 14 -- I'm not sure I have the
6 numbering right. Is that the stipulation and agreement
7 reached between the staff and U S West?

8 A. That's the way this one is enumerated, yeah.

9 THE CHAIRMAN: I have 14 as the Commission
10 Order.

11 A. Well, the Court Reporter has the 14 as the
12 stipulation.

13 Q. Mr. Rislov, could you refer to page 4
14 continuing into 5 of Exhibit 14?

15 A. Okay.

16 Q. Would you agree that paragraph 10 does
17 indicate that the price regulation plan does deal with
18 prices for switched access service, among others?

19 A. My understanding, I believe it's appropriate
20 to say that switched access services could be --
21 switched access service prices could be established
22 based on the same sort of alternative form of
23 regulation we established in 121 for the local rates.
24 I think that is correct. But in this settlement it
25 didn't -- we didn't specifically address this other

1 than that line. In other words, setting this up, this
2 could apply simply to the entire noncompetitive.

3 Q. I'd like you to move to page 8 also, Mr.
4 Rislov, paragraph 15.

5 A. Yes.

6 Q. The language that says the price ceiling for
7 switched access services will be determined by using
8 the switched access rules. Again, the stipulation does
9 contain language that attempts to determine a procedure
10 for the pricing of switched access; isn't that true?

11 A. It's true, except I think in this case the
12 stipulation clearly defers to the switched access rules
13 in order for establishment of that ceiling.

14 Q. And that's the ceiling. That's not
15 necessarily the rate to be determined by the
16 Commission?

17 A. I think any rate we have regardless of how we
18 term it is a price ceiling. The company cannot exceed
19 that rate. At times they may request to charge less,
20 but I believe all our rates can be, whether it be
21 natural gas, electric, telephone, whatever can be
22 appropriately classified as a ceiling rate.

23 Q. But, again, getting back to this stipulation,
24 Exhibit 14, in the 121 docket you established a ceiling
25 also for residential local service rates; correct?

1 A. If I could, when you say also, we did not
2 establish a ceiling for switched access rates in that
3 docket. That docket pertained to the local service
4 rates rather than the switched access. This docket
5 under the rules approved by the Commission is designed
6 to establish that switched access ceiling, if you
7 will.

8 Q. Right. You agreed to use the rules to
9 establish the ceiling?

10 A. Well, I don't think in that settlement we had
11 the right to set aside the switched access rules. It
12 just noted that whatever we did with switched access
13 rates would be pursuant to the Commission's rules.

14 Q. Getting back to local service, the ceiling
15 established there was 19 and some dollars?

16 A. I believe \$19.35, that's correct.

17 Q. And that is on local residential service?

18 A. That's true.

19 Q. And that didn't immediately allow U S West to
20 go to that ceiling, did it?

21 A. Actually, there were several tiers of rates
22 established in that case depending on the rate zones
23 the people were in. And we also dealt with business as
24 well as residential rates. And there were some
25 customers under that plan that did go to the ceiling

1 immediately. There were others that were below that
2 ceiling, that's true.

3 Q. But isn't it generally true that there's
4 basically two tiers of opportunities for U S West to
5 increase rates and that's done over a 36-month period?

6 A. Well, really we looked at it as a three-step
7 plan immediately and two--

8 Q. Two additional steps?

9 A. That's right.

10 Q. And if they -- if U S West would follow up on
11 both requests, they would then be at the ceiling
12 established?

13 A. I think essentially it would take three steps
14 to get everyone to the ceiling, but certainly some were
15 already there after the first step.

16 Q. You would agree, would you not, that under
17 ARSD 20:10:27:20 that the Commission in determining the
18 switched access, or in evaluating the switched access
19 cost study in this case, could make the determination
20 to phase any rate established over a period of time?

21 A. Is that the phase-in rule?

22 MS. CREMER: I was going say why don't you
23 give him that rule if you want him to refer to it.

24 A. I can recall the phase-in rule, and I believe
25 I've always held that the phase-in rule would allow the

1 Commission to phase in an increase. As a matter of
2 fact, that was contemplated, I believe, the last time
3 the switched access rates were established in 93-108.

4 Q. When ceilings were established like they are
5 in 94-121, would you agree with me that the general
6 concept then allows U S West to price down without
7 Commission approval in the event competition would
8 develop?

9 A. You know, there certainly could be a variety
10 of reasons that they would want to have a price below
11 that ceiling, and I would expect competition would be
12 one of the bigger ones.

13 Q. Can you think of any reasons at this point
14 that a monopoly provider of switched access would be
15 motivated to price down from the ceiling absent
16 competition?

17 A. Well, that's a difficult question for me to
18 answer, not being a monopoly provider, because I saw
19 U S West price below that ceiling since the switched
20 access rates were established. You know, I believe
21 there were different reasons that they advocated that
22 point, but I certainly couldn't read their mind. But
23 they've been doing it. And certainly if they were a
24 monopoly now, they were back then.

25 Q. But that's assuming that -- you know, I guess

1 at this point the assumption is that they're granted
2 the right to go to the ceiling.

3 A. Well, I think under general regulatory
4 theory, and certainly the theory that applies to this
5 Commission, at least what I've been told, is that when
6 one establishes a cost of service, that cost of service
7 is based upon certain principles. One of those
8 principles is that the utility should be allowed an
9 opportunity to recover its fair and reasonable return
10 on its investment. Now, if we substitute the word
11 ceiling for fair and reasonable return on investment, I
12 think it's just axiomatic that they're allowed to
13 charge for the ceiling, and that's generally not --
14 generally that is the way we establish rates in this
15 state. Or at least it has been for the past 20 years.

16 Q. In your opinion, is an increase in switched
17 access from 3.14 cents to 6.15 cents a significant
18 change?

19 A. Certainly in the sense that we play with
20 percentages it's going to be a significant change.
21 It's in that 100 percent range. But, again, if they
22 would have been charging zero for their switched access
23 and we moved it to one-tenth of a cent, it would have
24 been an infinite increase. I think it's necessary to
25 look at a number of variables behind these increases

1 before taking a raw percentage and trying to draw some
2 judgment from it.

3 Q. If the increase is granted to 6.15 cents,
4 would you agree it's quite likely that an intrastate
5 toll rate increase is going to result?

6 A. I think there's absolutely no dispute that
7 for a number of people they're going to be paying
8 roughly twice what they had been paying U S West for
9 access. Now, how that affects their overall rate, I
10 don't know, but I would certainly expect it would have
11 some upward pressure, yes.

12 Q. Could the increases requested diminish the
13 current toll competition levels that we have that have
14 developed today in South Dakota?

15 A. I believe this question, you know, in various
16 forms has been asked this morning. And it's always
17 difficult for me to answer a question of this sort.
18 Because whenever anytime one establishes a rate, in
19 this case for switched access service, certainly the
20 level upon which you decide to establish that rate is
21 going to affect, I think, at least two services. One
22 being the toll provider, and the other being those who
23 would provide that switched access service.

24 So when we talk about what effect it may have
25 on toll competition, I guess my answer is I don't

1 know. I mean if someone came in and offered switched
2 access service besides U S West, that might be better.
3 Maybe theoretically it's best to look at cost when one
4 establishes this rate so people on both ends of the
5 equation can get into the competitive market. In this
6 case it appears we're only dealing with toll providers
7 and not the switched access would-be providers. But I
8 don't want to -- I'm not trying to skirt your question,
9 but to say it would necessarily -- short term, yes, I
10 think it would help competition, but long term if we're
11 going to shut switched access providers out of the
12 market, is that really going to help toll? I don't
13 know. I don't know.

14 Q. As we sit here today, are you aware in any of
15 the current U S West exchanges as to whether there are
16 any switched access competitors currently competing
17 with U S West?

18 A. And I think that's my point. Is it because
19 of switched access rate has been so low for so long
20 that we've discouraged people from coming in and
21 competing to that local level? I guess I'm not aware
22 of anyone. I know there are some that are thinking
23 about getting into it. I've heard Dakota Cooperative,
24 and I hesitate to say what their last name is, but I
25 know it's Dakota Cooperative is looking at getting U S

1 West service territory.

2 Q. You agree that the switched access rules used
3 what you would consider to be rate of return
4 rate-making theories in determining prices?

5 A. Yes, I do.

6 Q. Is there currently an open docket with the
7 Commission soliciting, or in which proposals have been
8 solicited concerning the changes in the switched access
9 rules?

10 A. Yes, there is. I think Staff Witness Best
11 actually gave you the number. I can't recite that,
12 but, yes, sir, it is.

13 Q. To your knowledge, the comment period on that
14 docket has been closed, hasn't it?

15 A. I'm embarrassed to say I don't know. But if
16 I could add, I don't know, I mean with the FCC awaiting
17 action on the access rule, it may have been the comment
18 is closed on that docket, but certainly the issue is in
19 everyone's mind in some way, shape, or form.

20 MR. LOVALD: No further questions.

21 THE CHAIRMAN: Mr. Pfeifle?

22 MR. PFEIFLE: No questions, Mr. Chairman.

23 THE CHAIRMAN: Mr. Hertz?

24 MR. HERTZ: No question.

25 THE CHAIRMAN: Commission counsel?

1 MR. HOSECK: Yes.

2 CROSS-EXAMINATION

3 BY MR. HOSECK:

4 Q. Mr. Rislov, would you please turn to page 2,
5 line 14, of your testimony?

6 A. Yes.

7 Q. In that you make reference to the fact that
8 U S West filed a per books basis. Could you explain to
9 me what this term per books basis means?

10 A. Utilities such as U S West keeps several
11 books of account. One would be for financial statement
12 purposes. One would be on a per books basis for
13 regulatory purposes. We can get into even more. They
14 have books on a tax basis for IRS purposes. And
15 operating in 14 separate jurisdictions, certainly with
16 Commissions making different decisions, I would suspect
17 each state has its own set of per books numbers.

18 Q. And so in this particular case, which set of
19 books was used?

20 A. As stated in their exhibit, would be the
21 South Dakota per books.

22 Q. And also on page 2, line 19, you make
23 reference to adjustments that were made to incorporate
24 Commission precedent. What precedent are you speaking
25 of?

1 A. Back in the early to mid-eighties and
2 certainly highlighted during the divestiture period,
3 the Commission made certain rulings within their
4 decisions that forced U S West to recognize those
5 decisions. I can't recall all the adjustments offhand,
6 but essentially this Commission told U S West, for
7 instance, they had to flow through certain federal
8 income tax book timing differences. That became a
9 South Dakota per books basis based upon the Commission
10 precedent.

11 Q. So those would have been administrative
12 decisions of the Commission; is that correct?

13 A. That's correct.

14 Q. On page 3, line 3, I'm somewhat confused.
15 There's a statement about the adjustments that were
16 made, and it says that there were several with which
17 staff does not agree and several more which were
18 required to have been corrected or updated. The
19 question specifically that I have is the adjustments
20 that were listed on the top of page 5, the four
21 adjustments that you previously testified to, are those
22 the adjustments that were the only adjustments that you
23 looked at and that were made?

24 A. No. We looked at all of U S West
25 adjustments, plus, there were contemplation of certain

1 other areas of their business that we considered
2 whether or not it was necessary to make an adjustment.

3 Q. What were those other areas?

4 A. Well, in general, labor. I mean we talked
5 about labor, employee levels, we talked about service
6 quality issues, things of that nature that didn't
7 appear in their case and whether or not numbers could
8 be applied. But ultimately no adjustment was made.

9 Q. And that was your decision not to make any
10 further adjustments?

11 A. No, not really. We've had three people
12 working on this case who have at least 16 years'
13 experience. When we sit and discuss various issues
14 that we may or may not want to pursue, I don't think
15 anyone's input is necessarily more valuable than anyone
16 else's.

17 Q. With regard to the return on equity, and I
18 would refer you to page 7, line 15, of your prefiled
19 testimony. With regard to the 11.5 percent figure that
20 you adopted, is it true that, as I'm understanding,
21 this arose from the TC94-121 case; is that correct?

22 A. That's correct.

23 Q. And was this 11.5 percent a compromised
24 figure?

25 A. It's what we, staff, threw at U S West. As

1 was in our case they accepted it.

2 Q. And that was based on a consultant?

3 A. If I could lay a little foundation, we, I
4 believe, completed approximately three or four cases in
5 about, I think it was approximately a 19-month period.
6 And that consultant provided testimony on contract in
7 at least one of those cases. But as time went on, in
8 order to trying to limit the amount of expense it took
9 to process these dockets, we did avail ourselves to
10 that consultant's expertise as far as the ranges of
11 returns that he considered appropriate for companies
12 such as U S West, but also for gas and electric
13 companies. This number fell within his range.

14 Q. So, in other words, he provided you with a
15 range. This just happens to be within that range?

16 A. Right, right. But he did not file testimony
17 in this docket. It was just on the basis of phone
18 calls. And, in truth, we've been working with this
19 consultant for 15 years.

20 Q. So when you use the term reflected, this rate
21 of return was reflected, that's what you mean?

22 A. Yes.

23 Q. Did you have any responsibility in the
24 analysis of this case with regard to depreciation?

25 A. Certainly the depreciation number that

1 appears in this case appeared upon our agreement to do
2 so. But we have a Commission Order in TC94-121 that
3 established these depreciation rates. We did not spend
4 a lot of time in this docket on those depreciation
5 rates simply because we had a Commission Order that was
6 delivered only about eight months ago that approved the
7 depreciation rates at the level which they stand.

8 Q. And have you read the prefiled testimony of
9 Patricia Parker in this case?

10 A. I have, I have.

11 Q. Specifically, I'm referring to her testimony
12 on page 7 where she talks about U S West increasing
13 costs by shortening the depreciation in an arbitrary
14 manner. Do you have any opinion on that assertion by
15 Miss Parker?

16 A. There are very few capital items that we can
17 with perfect knowledge anticipate what the retirement
18 date is going to be. Although people can do a lot of
19 work on depreciation and there are a lot of
20 sophisticated studies certainly beyond my expertise
21 that have been developed to try to estimate
22 depreciation. In truth, what this comes down to in the
23 bitter end, the depreciation in a sense is always going
24 to be arbitrary because there's no perfect information
25 as to what the exact life of that object will be. So I

1 guess if she claims it was arbitrary, well, I'm not
2 going to deny there isn't a certain amount of
3 arbitrariness. But we certainly tried to reflect what
4 we thought were realistic lives when we advocated it
5 before the Commission last winter.

6 Q. And as to the information that you relied
7 upon in doing your analysis, what information
8 specifically did you rely upon?

9 A. I don't recall the analysis that we did.
10 It's been, I suppose, about 18 months ago, but
11 certainly --

12 Q. Excuse me, I'm speaking about this case --

13 A. This case on depreciation.

14 Q. -- on all issues. What was the sources of
15 information that you relied upon in your analysis?

16 A. Harlan Best is the staff member familiar with
17 the reports and books of account of U S West. We
18 relied upon the filing they made, but whatever reports
19 Harlan had at his disposal.

20 Q. Did you personally become involved in
21 reviewing any of those numbers?

22 A. No. That was Harlan's function.

23 Q. And did you personally perform any validation
24 tests of any of the numbers that U S West supplied?

25 A. Again, I relied on Harlan to do that.

1 Q. And did you have any role in the data
2 requests to U S West?

3 A. I certainly had a role. But I didn't
4 actually sit down and pen the data requests. I believe
5 certainly witnesses, Staff Witnesses Knadle and Best
6 did more along the lines of the data requests than what
7 I did.

8 Q. Did you rely upon the information provided by
9 U S West in any of the staff data requests as far as
10 your analysis is concerned?

11 A. My analysis dealt with the theory of these
12 adjustments. I relied upon Staff Witness Best to
13 secure the numbers that needed to go into the exhibit.
14 That's found in his testimony.

15 Q. Have you been present here at the hearing all
16 day today?

17 A. Yes, I have.

18 Q. And have you heard the figures that have been
19 thrown out in terms of the gross income that this
20 switched access case might generate for U S West?

21 A. Yes, I have.

22 Q. Do you agree or disagree with any of those
23 figures?

24 A. Again, when one takes the 3.14 rate and
25 approximately doubles it to 6.15, the numbers that I

1 think everyone approximated this morning are in the
2 ball park.

3 Q. So as far as any of the conclusions that you
4 reached, were they based at all upon any direct
5 inspection of U S West records?

6 A. No. No one went to Omaha or to Denver to
7 check on their books of account.

8 MR. HOSECK: No further questions.

9 THE CHAIRMAN: Commissioners, do you have any
10 questions?

11 COMMISSIONER BURG: Yeah, I have one. Greg,
12 how many -- approximately how many cost studies like
13 this have you been through with U S West, do you have
14 any idea?

15 A. Half a dozen, I suppose.

16 COMMISSIONER BURG: And how long have their
17 costs showed the switched access costs in the vicinity
18 of the six cents that we're talking about?

19 A. Well, you've got to recall that -- and it was
20 you three commissioners who approved those rules about
21 1992 or in 1993 or sometime in that period. This has
22 only been the second time that they filed the switched
23 access -- well, I guess, technically, one could argue
24 that they updated their study this past winter. They
25 updated the TC93-108 this past winter, but this is only

1 the second time we've had what I would call a complete
2 cost study filed based upon original information.

3 COMMISSIONER BURG: Over those cost studies,
4 though, have those costs been relatively steady within
5 at least within a cent?

6 A. Well, in that sense, I believe the first
7 study came in in approximately the 7 cent range, and
8 U S West filed a rate in the 6.4 cent range. Now
9 staff's recommendation is 6.15 approximately, so within
10 a cent, yes.

11 COMMISSIONER BURG: Within a cent. And yet
12 over that period of time the tariffs that's been filed
13 based on those cost studies have been quite a bit lower
14 than that; is that correct?

15 A. Well, certainly the rates that have been
16 effective have been below the cost of service that was
17 determined, that's correct.

18 COMMISSIONER BURG: And now the rates that
19 are being requested are at the cost of service; is that
20 right?

21 A. That's right.

22 COMMISSIONER BURG: In your investigation of
23 this, or analysis, do you see any reason why that
24 changed? I mean do you know -- did you determine why
25 it changed from being considerably less, in this case

1 half to the full cost?

2 A. I believe I was -- you know, this question
3 was asked before in a sense, and I really don't know
4 why. I mean U S West, I believe, to the best of my
5 recollection, they charge 3.14 three years ago because
6 they wanted to mirror the federal rate. I know there
7 was some bypass issues mentioned and I don't know what
8 else. But, you know, really that's been in the back of
9 their mind. If they wanted to charge less, I guess so
10 much the better.

11 COMMISSIONER BURG: And I'm not asking you to
12 try to interpret them. I'm asking if you saw any
13 change in the industry or a change in what's happened
14 that you feel reflects the reasons for that. Because I
15 value the experience, the 20 years experience you've
16 had.

17 A. Well, my feeling there was a lot of blood,
18 sweat, and tears laying on the table after we developed
19 the switched access rates. We came in TC93-108 and the
20 first thing we do is get no one wanting to follow the
21 switched access rules. When we're talking
22 noncompetitive services in a noncompetitive pot, so to
23 speak, and switched access would be one of those
24 services, local service being the other, where this
25 Commission has an absolute requirement to allow a

1 utility to get a return in their investment. I guess
2 I'm surprised unless there are extenuating
3 circumstances when they don't at least attempt to get
4 toward the rate that allows them to recover that cost
5 of service.

6 Now, certainly as we move toward competition,
7 there's going to be, I would assume, some pressure on
8 these utilities to look at the rates constantly, but
9 that's the way it's going. I don't know if we were at
10 that point in 1993 or 1994. I mean I really don't know
11 if U S West's decision was a good decision or a bad
12 decision.

13 But narrowly I look at what the rules require
14 and what you three Commissioners have approved when I
15 reviewed these issues. And beyond that, I guess, if
16 the company wants to eat dollars, that's so much the
17 better.

18 COMMISSIONER BURG: And one last question
19 along that line: Because if the cost was actually at
20 somewhere between 6 and 7 cents and the charge was
21 between somewhere around 3, then that difference of
22 cost must have been made up someplace else. To your
23 knowledge, has any of that ability to make that cost up
24 someplace else disappeared, or is there going to be
25 that much income?

1 A. I don't know if that cost is made up anywhere
2 else. We can opine it's made up in total, and we can
3 talk about subsidies and stuff. But in truth, it's
4 better to get half a loaf than none. And I think
5 possibly the company was looking at the fact that had
6 they gone to a higher rate, maybe people would have
7 found a way to use the interstate access rates rather
8 than the intrastate access rates. I know that was in
9 there, but I assume they thought in the long run they
10 were going to be better off with that 3.14.

11 COMMISSIONER BURG: Well, I presume that
12 also. But you have to say that if the cost were one
13 figure, if you don't meet those costs, you're going to
14 be out of business?

15 A. Well, certainly a company like U S West that
16 makes a considerable amount of revenue, at least from
17 my point of view -- they make a lot more than I do.
18 There are ways that they can operate without going out
19 of business even though they're not recovering their
20 full cost.

21 COMMISSIONER BURG: That's all I have.

22 THE CHAIRMAN: Commissioner Schoenfelder.

23 COMMISSIONER SCHOENFELDER: No, I don't have
24 any.

25 THE CHAIRMAN: Any redirect?

1 MS. CREMER: I'll beat Mr. Welk to this. No,
2 I don't.

3 THE CHAIRMAN: Any recross anybody? If not,
4 thank you, Mr. Rislov.

5 Mr. Tieszen, would you call your witness?

6 MR. TIESZEN: Yes, Mr. Chairman. At this
7 time I would call Joni Siplon.

8 THE CHAIRMAN: This is for Sprint; right?

9 MR. TIESZEN: Yes, sir.

10 JONI P. SIPLON,

11 called as a witness, being first duly sworn,
12 was examined and testified as follows:

13 DIRECT EXAMINATION

14 BY MR. TIESZEN:

15 Q. Would state your name and address for the
16 record, please.

17 A. My name is Joni Siplon. My business address
18 is 7171 West 95th Street, Overland Park, Kansas.

19 Q. Where are you employed at?

20 A. I'm employed by Sprint Communications
21 Company, Limited Partnership.

22 Q. And in what capacity?

23 A. I'm the manager of regulatory access
24 planning.

25 Q. And how long have you served in that

1 capacity?

2 A. I've been employed by Sprint Long Distance
3 since November of 1995.

4 Q. If you would, briefly share your educational
5 background and work experience with the Commission,
6 please.

7 A. I began working for Sprint/Central Telephone
8 - Nevada in 1981. I held a variety of positions in
9 the customer service organization. I then joined the
10 regulatory staff where I was responsible for developing
11 and presenting the company's position before the Public
12 Service Commission of Nevada. I then joined the
13 accounting department as a senior staff accountant
14 where I worked with nonregulated financial statements
15 of the organization.

16 Q. Have you previously offered testimony to
17 other commissions in the area of access and switched
18 access?

19 A. Yes, I have. I recently appeared before the
20 California Public Service Commission in their open
21 network architecture development docket, and I have
22 filed testimony in the state of Colorado.

23 Q. Joni, I'd refer you to Exhibit 7, which I
24 think is before you at the table there, and ask you to
25 look at that. Does that represent prefiled testimony

1 by you in this case?

2 A. Yes, it does.

3 Q. If I were to ask you the questions, the exact
4 questions that are in that testimony, would your
5 answers be the same as they appear in that testimony?

6 A. Yes, they would.

7 Q. Do you have any changes, additions, deletions
8 that you would like to offer today to that testimony?

9 A. No, I don't.

10 Q. In that regard, then, if you would please,
11 would you summarize your testimony for the Commission
12 today?

13 A. Certainly. I'm here today to discuss
14 Sprint's concerns with U S West's proposal to double
15 the switched access rates in South Dakota. Now, we
16 realize that a lot of hard work and effort went into
17 establishing the current switched access rules, and
18 while they have -- may have been appropriate for South
19 Dakota in the past, all of the dramatic changes that
20 have occurred in our industry in the last year have
21 made these rules inappropriate to set switched access
22 rates.

23 We believe this Commission has already taken
24 the right first step by opening the docket to review
25 the current switched access rules. The next step,

1 however, would be to suspend or reject this proposal
2 until the issues in that docket are resolved. Because
3 this particular proposal will have such an adverse
4 effect on the South Dakota toll market and South Dakota
5 consumers, we feel that it's in the best interest of
6 the public that the Commission reject this filing until
7 they've reviewed the switched access rules.

8 Q. Joni, you've been present today for all of
9 the testimony so far?

10 A. Yes, I have.

11 Q. And you heard the testimony of Mr. Culp?

12 A. Yes, I did.

13 Q. I would ask you, do you believe that the
14 denial of this switched access increase would result in
15 higher residential rates?

16 A. No, I don't.

17 MR. WELK: Objection. Insufficient
18 foundation for this witness to answer.

19 THE CHAIRMAN: Would you like to lay a
20 foundation, Mr. Tieszen?

21 Q. Have you had an opportunity to review that
22 issue?

23 A. Yes. The issue of how switched access rates
24 might support basic local telephone service is an issue
25 addressed in any access proceeding, or within any

1 person who might work with switched access rates.

2 Q. So in your position in dealing with switched
3 access rates, is it typical for you to review the
4 question of whether it will have a negative impact or
5 an impact of increase on residential rates?

6 A. Yes.

7 Q. And did you look at that here?

8 A. Yes. When Mr. Culp brought the issue up this
9 morning, I did.

10 Q. Okay. And would you tell us what your
11 opinion is in that regard?

12 MR. WELK: Objection. Insufficient
13 foundation as to what she looked at.

14 THE CHAIRMAN: Do you have any further
15 information you'd like to lay for foundation,
16 Mr. Tieszen?

17 Q. We can go on. Would you share with us
18 specifically what you looked at and what you utilized
19 in analyzing that information in reaching an opinion?

20 A. What I used was my general knowledge of
21 switched access rules as they exist today and my
22 knowledge of the industry in general. And I have over
23 15 years in the industry, and I feel that I do have an
24 opinion on this.

25 Q. Based on that, what's your opinion?

1 A. I believe that the carrier common line charge
2 does contribute to the company's total revenue
3 requirement. U S West witnesses confirmed that opinion
4 in many proceedings. While many believe that the
5 carrier common line or subsidies contained in switched
6 access are used to supplement residential service,
7 there is no one-for-one dollar that proves that those
8 revenues really are used for subsidizing local
9 service. They may be going just to the overheads of
10 the company or to the shareholders, so while it's just
11 a revenue stream to the company.

12 MR. TIESZEN: I have no further questions. I
13 would tender the witness for cross-examination.

14 THE CHAIRMAN: U S West?

15 MR. WELK: Thank you, Mr. Chairman.

16 CROSS-EXAMINATION

17 BY MR. WELK:

18 Q. Good afternoon.

19 THE CHAIRMAN: Mr. Tieszen, would you like to
20 offer her exhibit?

21 MR. TIESZEN: Yes, Mr. Chairman. I
22 apologize. We would offer Exhibit No. 7.

23 THE CHAIRMAN: Is there any objection? It
24 becomes a matter of the record.

25 MR. WELK: Thank you, Mr. Chairman.

1 Q. Good afternoon.

2 A. Good afternoon.

3 Q. How much intrastate switched access does
4 Sprint purchase in the state of South Dakota?

5 A. Did you say intrastate?

6 Q. That's what we're here for.

7 A. We purchase in dollars approximately \$350,000
8 a year.

9 Q. How much interstate access do you purchase?

10 A. In total?

11 Q. With the state of South Dakota.

12 A. About nine times that amount.

13 Q. Why is there such a large difference between
14 the intrastate access amount purchased and the
15 interstate?

16 A. There could be a variety of reasons. I would
17 imagine, though, that we don't have that many South
18 Dakota customers calling other Sprint South Dakota
19 customers.

20 Q. As a reseller of long distance services, how
21 are your services regulated by this Commission as to
22 long distance?

23 A. You mentioned we're a reseller of long
24 distance service. We're a provider of long distance
25 service. Our rates are not regulated by this

1 Commission.

2 Q. The rates for long distance services in South
3 Dakota are fully deregulated?

4 A. I'm sorry, I misspoke. Our message toll
5 rates in the state of South Dakota are regulated by
6 this Commission.

7 Q. In what respect?

8 A. We file tariffs for those rates, but they do
9 not monitor our rate of return or require us to set a
10 certain rate.

11 Q. Do those rates have to be approved by this
12 Commission, long distance services?

13 A. I'm not sure if it's just an informational
14 tariff or it has to be approved.

15 Q. You don't know whether your long distance
16 services are fully competitive, emerging competitive,
17 or noncompetitive?

18 A. I believe they're competitive service.

19 Q. You don't know what the ramifications are in
20 this state of a fully competitive service?

21 A. Message toll service for us is a competitive
22 service.

23 Q. Well, for this record, what is the
24 significance of having a fully deregulated service long
25 distance in regard to how you do business in the state?

1 MR. TIESZEM: I'm going to object. It's
2 irrelevant.

3 THE CHAIRMAN: Overruled. The witness has 15
4 years' experience. She has an opinion.

5 A. Well, and I guess maybe I'm a little confused
6 by your question. My understanding of a deregulated
7 service is that we can set prices based on market with
8 no regulatory oversight.

9 Q. Did you review the U S West cost study?

10 A. No, I did not.

11 Q. Have you reviewed the Commission's rules on
12 the cost study?

13 A. Yes, I have.

14 Q. So you have read the rules but not reviewed
15 the study that was the subject of the application of
16 the rules; is that your testimony?

17 A. Yes, it is, because we felt that while the
18 Commission rules allowed or required this type of
19 filing, that maybe that wasn't the most appropriate
20 type of filing to be making in this new
21 telecommunications environment.

22 Q. But you're offering an opinion on a study
23 that was done that you didn't even read; is that
24 correct?

25 A. I'm not offering an opinion on the study

1 whether it was done correctly or not.

2 Q. What alternatives does your company have to
3 purchase switched -- to purchase intrastate switched
4 access other than to buy it from U S West?

5 A. Right now there are no competitive
6 alternative providers in South Dakota. We would either
7 have to lay our own facilities.

8 Q. What about the utilization of private line in
9 the interstate side?

10 A. If we had enough traffic volume to meet that
11 demand, then we would use -- we might use that.

12 Q. Why don't you tell the Commission how you
13 would do that? How you would use private line on the
14 intrastate side to avoid purchasing interstate access.

15 A. If we have enough traffic to utilize a
16 private line service, then we can connect directly to
17 an end user and, yes, we might bypass the local
18 exchange company.

19 Q. Have you done in that in other states?

20 A. Yes, we have.

21 Q. And you haven't done this in this state just
22 because the volume doesn't justify it; is that correct?

23 A. We have not done it in this state.

24 Q. How many other states have you done it in?

25 A. I'm not sure exactly how many.

1 Q. One or two, or a significant number?

2 A. Probably more than that.

3 Q. You have no idea how many?

4 A. I wouldn't hazard a guess.

5 Q. You're doing business in all 50 states?

6 A. Yes, we are.

7 Q. Have you reviewed any of the other cost
8 studies of U_S West that were done in 1993 and 1994
9 regarding the 1992 test year?

10 A. I personally did not, no.

11 Q. Was your company a participant in docket
12 TC93-108?

13 A. Yes, we were.

14 MR. WELK: I would ask the court -- or I
15 would ask the Chairman, as Exhibit 18, to take judicial
16 notice of the Order approving settlement agreement and
17 attached stipulation in TC93-108.

18 THE CHAIRMAN: We'll take notice.

19 MR. TIESZEN: Is that being attached as an
20 exhibit?

21 THE CHAIRMAN: Yes.

22 MR. TIESZEN: 18?

23 THE CHAIRMAN: 18.

24 Q. Did your company participate in the sale of
25 exchange dockets?

1 A. I don't believe we did.

2 Q. How long has your company known that the
3 switched access costs in South Dakota is over
4 approximately 6.7 cents?

5 A. I've spoken with our legal counsel who
6 appeared for us in that proceeding, and he became aware
7 of the cost study and the information in it during that
8 docket proceeding.

9 Q. That being TC93-108?

10 A. Yes.

11 Q. The Commission Order entered -- final Order
12 entered in that was March 30th, 1994. You can accept
13 my representation on that. It would have been sometime
14 prior to the entry of the final Order then?

15 A. Subject to check, yes.

16 Q. Now, you have in your testimony suggested
17 that to allow the intrastate access rates to be
18 increased would have an effect on the toll market in
19 the state of South Dakota; is that correct?

20 A. Yes.

21 Q. What facts do you have to justify that?

22 A. Again, my knowledge of the competitiveness of
23 the interexchange toll market.

24 Q. What knowledge do you have of the toll market
25 in the state of South Dakota?

1 A. From what I've read and the volume traffic
2 studies that we've done.

3 Q. What have you read about the toll market in
4 the state of South Dakota?

5 A. What I've read in the transcripts from the
6 previous proceeding.

7 Q. Which proceeding?

8 A. I'm sorry, the one prior to this. It was
9 93-108 where you had hearings this past May.

10 Q. I believe that's a different docket. Do you
11 mean the other access charge increase 96-028?

12 A. Yes, maybe that's the one. I'm sorry.

13 Q. That would have been earlier this year is the
14 one you're referring to?

15 A. Yes, it is.

16 Q. So you read the transcript of the hearing in
17 96-028; is that correct?

18 A. Yes.

19 Q. And besides reading that transcript, what
20 other knowledge or facts do you have relative to the
21 toll market in the state of South Dakota?

22 A. Just in general that most toll markets that
23 are very competitive as they are in South Dakota.
24 There are many providers here AT&T, MCI, Sprint, the
25 South Dakota Network. Competition would normally drive

1 prices down. And in this market there seems to be
2 healthy competition going on.

3 Q. So it's your general knowledge from the
4 transcript in 96-028 and then your general knowledge of
5 the industry on the United States wide basis that's
6 your knowledge of the toll market?

7 A. And the fact that there are other toll
8 competitors in this state that, yes, there is
9 competition in this state.

10 Q. But what knowledge do you have -- what facts
11 do you base it upon that if this intrastate access
12 charge is increased to over 6 cents that it will affect
13 the market?

14 MR. TIESZEN: Mr. Chairman, I'm going to
15 object. The question has been asked and answered
16 several times.

17 THE CHAIRMAN: I'm going to overrule it.
18 This is an expert witness who filed testimony. And if
19 she doesn't know, she can answer that way. But she's
20 qualified to answer.

21 A. And I'm sorry your question was?

22 Q. What specific facts are you relying on to
23 indicate what's going to happen in this market in the
24 state of South Dakota if intrastate access rates are
25 allowed to increase to 6 cents?

1 A. My knowledge. I'm basing it on my knowledge
2 of an industry where the margins in long distance rates
3 are very low, and that any increases, specifically an
4 increase that doubles your access rate, is going to --
5 it would have to have an impact on the market.

6 Q. Are you aware of any of the margins of any of
7 the companies that do business in the state of South
8 Dakota relative to their toll operations?

9 A. No, I'm not.

10 Q. Are you familiar with any of the operations
11 of any of the toll providers in the state of South
12 Dakota?

13 A. Not directly, no.

14 Q. Do I understand your testimony to be
15 advocating that the carrier common line charge element
16 be eliminated?

17 A. No, I have not made that recommendation in my
18 testimony, though that is our -- has been our policy.

19 Q. That's Sprint's policy to eliminate the
20 carrier common line?

21 A. We are in favor of that. At this time,
22 though, we're not recommending that. We're
23 recommending that the Commission maintain the status
24 quo and until we can look at switched access as a whole
25 and how that -- what impact that might have.

1 Q. And the status quo means to charge the lower
2 rate even though the costs justify a higher rate; is
3 that correct?

4 A. Even though the cost based on a fully
5 distributed cost method indicate a higher rate, yes.

6 MR. WELK: I have no further questions.

7 THE CHAIRMAN: Staff?

8 MS. CREMER: Staff has no questions.

9 THE CHAIRMAN: Mr. Gerdes?

10 MR. GERDES: No questions.

11 THE CHAIRMAN: AT&T?

12 MR. LOVALD: No questions.

13 THE CHAIRMAN: Mr. Pfeifle?

14 MR. PFEIFLE: No questions.

15 THE CHAIRMAN: Mr. Hertz?

16 MR. HERTZ: No questions.

17 THE CHAIRMAN: Commission counsel?

18 MR. HOSECK: No questions.

19 THE CHAIRMAN: Commissioners?

20 COMMISSIONER SCHOENFELDER: I noticed in your
21 testimony -- forgive me, I have to look at the page. I
22 closed it so now I don't know. It's at the top of page
23 2 where you said the proposed switched access rates
24 approximately 112 percent?

25 A. Yes.

1 COMMISSIONER SCHOENFELDER: And I picked up
2 those percentages in other testimony, and everyone is
3 different a little bit. Can you tell me why?

4 A. We all have different patterns, our usage
5 patterns with U S West. This is a specific percent
6 change to Sprint. So each company might have a
7 different impact because they might use different parts
8 of switched access.

9 COMMISSIONER SCHOENFELDER: Okay. Then on
10 page 7 you say setting switched access rates higher
11 than the rates for transport and termination gives us
12 the interexchange carriers an incentive to bypass the
13 LEC network. Sprint is a competitor, ready to do
14 business in 50 states. And I'm assuming that -- well,
15 in fact, I know you're going to be into the local
16 market as well. What incentive is there if there's a
17 higher access rate? If you bypass the LEC network,
18 would you then be investing in facilities based, more
19 facilities based competition?

20 A. That might be one option. However, the
21 opportunity to bypass the local exchange network more
22 importantly comes from the ability to purchase
23 interconnection or unbundled elements and provide
24 end-to-end service to the end user. We can purchase
25 those elements based on the Telecommunications Act of

1 '96 at a much lower level than the switched access
2 rates.

3 COMMISSIONER SCHOENFELDER: I understand
4 that. But you would still be using the facilities of
5 the incumbent LEC?

6 A. Yes, we would, but we would be purchasing
7 them at that much lower rate.

8 COMMISSIONER SCHOENFELDER: What about your
9 plans for purchasing from cable or for some other
10 access provider?

11 A. If there are opportunities to do that, that
12 would be reduce our access expense, we might take
13 advantage of that.

14 COMMISSIONER SCHOENFELDER: Thank you.
15 That's all I have, Mr. Chairman.

16 THE CHAIRMAN: The only question I have is
17 that if your intrastate access charges in South Dakota
18 is one-tenth, about 10 percent of your total interstate
19 in South Dakota, and you have the ability to bypass,
20 why would an increase in access charge make any
21 difference to you?

22 A. Again, we may not have the traffic volumes to
23 justify purchasing a private line interstate service.
24 If the rates double, then we might have to re-examine
25 that and take a look at that. It might become more

1 cost efficient for us to do that or to look at other
2 alternatives.

3 THE CHAIRMAN: But right now you can bypass
4 it; right?

5 A. We could if we had the right justification to
6 do that.

7 THE CHAIRMAN: And you don't?

8 A. We don't.

9 COMMISSIONER BURG: Just a question I'd have
10 to follow up on that: But if that occurred, if you
11 were required to bypass because of a higher rate or use
12 somebody else, would that raise it to the customers?

13 A. Well, if we were bypassing we would
14 presumably be doing it at a lower rate to try to
15 minimize any effect to our customers. We would be
16 trying to provide them service at our lowest cost
17 possible, so I would think perhaps no.

18 COMMISSIONER BURG: I guess what I was
19 getting at is you're saying the only reason you would
20 bypass is you could not purchase this at the rate you
21 are now. You're not bypassing now because this is the
22 cheapest rate you can get. If this goes up, you would
23 -- you would look at bypassing it would still probably
24 be higher than this rate; correct?

25 A. And I'm not sure.

1 COMMISSIONER BURG: And if it were, would
2 that be passed on to South Dakota customers, or do you
3 average it over the United States?

4 A. We would spread our expenses in a variety of
5 ways and it might not directly affect the South Dakota
6 consumers in their rates. But it might affect our
7 investment in this state at, you know, advertising,
8 trying to promote more customers in this state. It
9 might have other impacts.

10 THE CHAIRMAN: You operate in all 50 states?

11 A. Yes, sir.

12 THE CHAIRMAN: Do you know the range of the
13 cost actually of switched access charges in all those
14 states?

15 A. Yes, I do. I have a general feel for that.

16 THE CHAIRMAN: What is it?

17 A. They range anywhere from less than 2 cents in
18 California to more than 11 cents in Maine.

19 THE CHAIRMAN: Where does South Dakota fit in
20 that?

21 A. They're kind of in the lower third.

22 THE CHAIRMAN: So based on that, I would
23 suppose you appeared before all the other commissions
24 and protested their high access rates as well?

25 A. We -- certainly when we've been given the

1 opportunity we are proceeding to do that. We are
2 targeting those states that have high rates.

3 THE CHAIRMAN: So if your margins are right
4 on the line between making a dime and losing a dime
5 here, how do you do it in other states where you're
6 paying higher access? Aren't your rates averaged
7 throughout the nation?

8 A. Well, we do have some discount calling plans
9 that are average rates across the nation, but our toll
10 rates in each state are pretty state specific.

11 THE CHAIRMAN: And so would that -- are you
12 telling me, then, there is a wide range of differences
13 in what you charge in the competitive long distance
14 market within each state?

15 A. Our actual filed tariff rates might differ
16 state to state, however, 10 percent of our customers
17 actually purchase services from that tariff. Most of
18 our minutes of use are purchased through a discount
19 calling plan of some type.

20 THE CHAIRMAN: So if you're offering discount
21 calling plans, that means you have much higher margins
22 than what you're telling us that you have here just
23 right on the line between making and losing money if
24 the rates are increased here?

25 A. If our rates are increased, then it would

1 affect our margins. But you're right, we do have the
2 ability to spread our expenses over a greater demand.

3 THE CHAIRMAN: So higher access here in South
4 Dakota would not necessarily mean you'd have to change
5 the cost or price of your long distance nationwide,
6 would it?

7 A. Most likely not. However, it would make us
8 consider about trying to add additional customers in
9 South Dakota. Perhaps we may not advertise this
10 greatly in this state because we know we have to pay
11 greater access charges.

12 THE CHAIRMAN: Is Murphy Brown your --

13 A. The dime lady.

14 THE CHAIRMAN: The 10 cent a minute gal?

15 A. That's the one.

16 THE CHAIRMAN: I guess if we looked at her on
17 the television all the time, you wouldn't mind more
18 customers in South Dakota probably.

19 A. Glad to hear that.

20 THE CHAIRMAN: That's all the questions I
21 have. Any redirect?

22 COMMISSIONER BURG: I wanted one follow-up.
23 You stimulated a question. When you said South Dakota
24 is probably in the bottom one-third, is that currently,
25 or where would you be with the rate requested?

1 A. That's where they currently are. If they
2 were to increase their rates, then it would put them in
3 the top one-third, maybe even higher than that. It
4 would put them right up there with almost with Maine.

5 COMMISSIONER BURG: Thank you.

6 A. I'm sorry. That's counting both ends. I
7 take that back. It would put them in the top
8 one-third.

9 THE CHAIRMAN: Any redirect, Mr. Tieszen?

10 MR. TIESZEN: No, Mr. Chairman.

11 THE CHAIRMAN: Any recross?

12 MR. WELK: Yes, I do, based on some of the
13 questions from the Commissioners.

14 REDIRECT EXAMINATION

15 BY MR. WELK:

16 Q. What do you pay for intrastate switched
17 access currently?

18 A. Overall a cost per minute?

19 Q. No, from U S West.

20 A. Oh.

21 Q. It's an easy question.

22 A. We currently pay approximately 3 1/2 cents
23 per minute.

24 Q. You indicated that if the rate went up, that
25 possibly that might dissuade Sprint from investing in

1 the state of South Dakota?

2 A. It might.

3 Q. Do you remember that testimony? Other than
4 playing Murphy Brown on the television, what else have
5 you done to invest in facilities in this state?

6 MR. TIESZEN: I'm going to object. It's
7 argumentative. It's an improper question.

8 THE CHAIRMAN: I'm going to overrule it, and
9 you can interpret it your own way as to whether the
10 question was asked.

11 A. I don't believe we've laid any direct
12 facilities. When we're in a state we, like I said,
13 spend a lot of dollars on advertising and promoting
14 customer retention.

15 Q. Do you have any employees in the state of
16 South Dakota?

17 A. Not that I'm aware of.

18 Q. Do you have any buildings? Lease any space?

19 A. I don't believe so.

20 Q. What's your average toll rate in the state of
21 South Dakota per minute?

22 A. I'm not sure what our average retail price
23 is, if that's what you're asking.

24 Q. Do you have a range?

25 A. Well, our tariff MTS rates begin at 30 cents

1 a minute for the first minute and increase. However,
2 we have some discount calling plans, for example,
3 Sprint cents where you can call for a dime a minute
4 during certain periods.

5 Q. So the dime would be the lowest and 30 cents
6 would be the highest and depending on the calling plan
7 it would be a mix?

8 A. That's correct.

9 MR. WELK: Thank you.

10 THE CHAIRMAN: Any other recross? If not,
11 thank you, Miss Siplon.

12 THE CHAIRMAN: Mr. Gerdes, do you have any
13 witness?

14 MR. GERDES: No, Mr. Chairman, I do not.

15 THE CHAIRMAN: AT&T, you may call your first
16 witness.

17 MR. LOVALD: Call Pat Parker.

18 MR. WELK: Mr. Chairman, Mr. Heaston, he's
19 going to be the attorney. Can we make a phone call to
20 get him up here?

21 THE CHAIRMAN: Certainly. Let's take a
22 break. Let's take about ten minutes.

23 (AT THIS TIME A SHORT RECESS WAS TAKEN.)

24 THE CHAIRMAN: We're going to change the
25 order. We might do the TAG group witnesses right now.

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

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OCT 16 1996

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

IN THE MATTER OF THE ESTABLISHMENT
OF SWITCHED ACCESS RATES FOR
U S WEST COMMUNICATIONS, INC.

VOLUME II

TC96-107

HEARD BEFORE THE PUBLIC UTILITIES COMMISSION

PROCEEDINGS:

October 9 & 10, 1996
9:00 A.M.

Room LCR #1, Capitol Building
Pierre, South Dakota

PUC COMMISSION:

Ken Stofferahn, Chairman
Jim Burg, Commissioner
Laska Schoenfelder, Commissioner

COMMISSION STAFF
PRESENT:

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EXHIBITS

No. Description

1	1	Cost Study
2	2	Revised Cost Study
3	3	Prefiled (U S West)
4	4	Prefiled (Best)
5	5	Prefiled (Knadle)
6	6	Prefiled (Rislov)
7	7	Prefiled (Sprint)
8	8	Prefiled (AT&T)
9	9	Prefiled (Simmons)
10	10	Prefiled (Noonan)
11	11	Prefiled (Cook)
12	12	Prefiled (Thurman)
13	13	Prefiled (Law)
14	14	94-121 Stip and Agreement
15	15	Commission Order, 94-121
16	16	Lovald Law Firm Phone bill
17	17	SD Tariff No. 1 Access Service
18	18	Order and Stipulation 93-108
19	19	Order on Switched Access Rates
20	20	Midco intrastate and interstate percents
21	21	Midco Retailers contract
22	22	Tel Serv's Contract
23	23	AT&T intrastate minutes of use in S.D.
24	24	Rate List
25	25	AT&T North Dakota price schedule
26	26	U S West Rebuttal Statement
27	27	U S West Attachment A, 96-107
28	28	AT&T Data Request
29	29	U S West Income Statement

1 Mr. Pfeifle, would you like to call your first
2 witness?

3 MR. PFEIFLE: Thank you, Mr. Chairman. I
4 think not everyone is quite back yet. Very good. I'd
5 call Mr. Fred Thurman.

6 FRED THURMAN,
7 called as a witness, being first duly sworn,
8 was examined and testified as follows:

9 DIRECT EXAMINATION

10 BY MR. PFEIFLE:

11 Q. Would you please state your name and
12 occupation for the record.

13 A. Fred Thurman, president of FirstTel.

14 Q. Are you also a member of Telecommunications
15 Action Group?

16 A. Yes, I am.

17 Q. And would you please describe your
18 educational background and professional experience?

19 A. I graduated from the University of South
20 Dakota with a bachelor of science degree in accounting,
21 became a CPA the following year, been in public
22 accounting as a CPA for those 23 years. During that
23 time I had about ten years of experience in working
24 with a local IXC, being Dial Net.

25 Q. Have you filed prefiled testimony in this

1 matter?

2 A. Yes, I have.

3 Q. And is that before you marked Exhibit 12?

4 A. Yes, it is.

5 Q. Would you identify that exhibit?

6 A. Right here.

7 Q. Is that your prefiled testimony?

8 A. Yes.

9 Q. And if I asked you those same questions
10 today, would your answers be the same?

11 A. Yes.

12 MR. PFEIFLE: Mr. Chairman, I'd offer Exhibit
13 12.

14 THE CHAIRMAN: Any objections? It's
15 admitted.

16 Q. Do you have any changes or corrections to
17 your prefiled testimony?

18 A. The only thing in there I would clarify is
19 where I did refer to based upon the information I had
20 the dollar impact of the rate change. I had in there I
21 said approximately five million. It is closer to six
22 million that's been talked about earlier.

23 Q. And would you please summarize your
24 testimony?

25 A. I think my testimony is basically in two

1 parts, one of which is I think really addresses what
2 Commissioner Burg would like to, I think, try to
3 discern out of these proceedings and that is the impact
4 on the businesses involved here today being five of the
5 local IXC's in South Dakota and the impact thereon to
6 the customers or consumers of South Dakota. That's
7 where most of my concern is concentrated.

8 And the other is to some degree my concerns
9 about the results that were obtained in the cost study
10 as to the competition. In the testimony from the
11 Sprint witness, she indicated that even though South
12 Dakota is a rural state, low population, we have a lot
13 of competition here. The rates are very competitive
14 here. And I say competitive compared to other states
15 in that they're as low as most states in the country.

16 And I don't want to take anything away from
17 Sprint, or AT&T, or MCI, but to a large degree that is
18 due to the fact that we have five locally-owned and
19 established carriers in South Dakota, and that is real
20 unusual. Other states in this area would not have that
21 type of local competition.

22 And so I think a lot of the fact that those
23 rates are down there is due to five members of TAG.
24 And those five members have the majority, if not all,
25 of their business in South Dakota and they're all

1 located in South Dakota.

2 Q. Would you be able to absorb an increase in
3 this magnitude?

4 A. We wouldn't be able to absorb it, and we
5 would have a difficult time passing it on in that we
6 have made commitments to other customers in the form of
7 term contracts. In our business plans we are -- all
8 have to have for small business to survive, we have
9 come up with rates that we feel we can live with. If
10 we can lock those rates in for one-, two-, or
11 three-year terms, a lot of our customers are on those
12 rates for a term, or committed to through an
13 association agreement like the South Dakota Retailers
14 through Midco, et cetera. We all have some of those.

15 We based that commitment to those customers
16 on the fact that our costs in a competitive environment
17 would not go up more than a normal amount. And normal
18 is a tough way to testify, but having been in public
19 accounting for 23 years, usually you can assume you're
20 not in a competitive environment going to get 100
21 percent increase in cost in one time.

22 Q. What would the percentage increase be for the
23 switched access charges for your company?

24 A. What we call the impact study that we
25 received from U S West indicated 106 percent increase

1 in our costs.

2 Q. And is switched access rates is that a
3 significant part of your costs of doing business?

4 A. It's approximately 50 percent of our direct
5 costs.

6 Q. And you stated that you could not absorb
7 these costs. Where would this almost hundred percent
8 increase be passed on to?

9 A. Those customers that are not on a term
10 contract, a committed rate from us, their rates would
11 have to go up. We'd have to pass that on. And then it
12 would be a matter of being able to stay competitive. I
13 know that all the members of TAG, even though we're
14 competitive head-to-head every day in this state with
15 rates, we can live with that. We can appease each
16 other.

17 I'm sure all of us would be raising rates,
18 and it becomes a matter of whether the large national
19 IXC's would follow suit or not. I'm sure their rates
20 wouldn't be as low as they are in South Dakota if we
21 enforced the rates now.

22 Q. Did you participate in the docket TC93-108
23 where it's been alluded to that a stipulation on a
24 ceiling or switched access rate was established?

25 MR. WELK: Objection. You got the wrong

1 docket, Counsel.

2 Q. Excuse me. Were you involved in the docket
3 that a stipulation on a ceiling for switched access
4 rates?

5 A. No, I was not. FirstTel, I don't believe, was
6 in existence at that time.

7 Q. When did you become aware of this ceiling?

8 A. I became aware of the whole issue earlier
9 this year or this summer when I was involved in
10 proceedings here in testimony for certification for
11 local services.

12 Q. If you had known about this stipulation, how
13 would it have made any difference in your business
14 planning and operations?

15 A. We would have been concerned about it. I
16 guess we would have -- we based our business plan on
17 the historical costs and annual increases therein. And
18 I'm not sure if we would have -- I believe we would
19 have assumed that any increase of the magnitude from
20 going from that floor to the ceiling would have been in
21 a very phased-in type of proceedings or process, I
22 should say. Small businesses can react, but they need
23 time to react, and usually a competitive environment
24 leaves that time to react.

25 Q. Do you have anything further to add that I

1 haven't asked you yet today?

2 A. Just the other part of my testimony had to do
3 with my concerns about the results of the cost study.

4 Q. And what, I guess, getting to that --

5 A. That had to do -- and some of our questioning
6 today of other people, I still find it hard to believe
7 that after eliminating 55 of their rural exchanges,
8 that the results of making adjustments for that would
9 not have decreased their costs more than they did and
10 the resulting access rate would be as high as it is. I
11 would have expected it to be lower.

12 Q. Were there some other considerations that you
13 believe are pertinent to the access cost computation?

14 A. I don't want to judge the actual formula or
15 the rules that were previously made. I'm just saying
16 that if they did a study before, cost study before and
17 used that same criteria and formula and rules that were
18 established and it came out to 6.7, I believe, and
19 after selling those exchanges off and the reduction in
20 costs we've seen over the last couple years, which have
21 caused other access rates to go down in other areas,
22 that in combination of that and selling those
23 exchanges, rural exchanges, that it wouldn't have gone
24 down more than 6.7 to 6.15. And I base that on, I
25 guess, my 23 years of experience in being with

1 businesses and numbers and things. It just would seem
2 that it would have to be lower than that.

3 Q. What do you believe the impact will be on
4 your customers that you serve based on this switched
5 access rate increase?

6 A. Well, there's most likely a short-term impact
7 would be some sort of increase. It would have to be.
8 I think that -- that hopefully if we all do a good job
9 as good business people, that we'll find alternatives,
10 or we'll negotiate with U S West with unbundled
11 elements or some way within a little bit longer period
12 of time those rates could stabilize, I would think,
13 then, and possibly come back down a little bit. It's
14 hard to say.

15 But initially I know that all of us, at
16 least, in TAG have rates out there in special -- in
17 some of the very rural and small towns of South Dakota
18 that probably could go up a little bit without any
19 other competition really being willing to come in
20 there.

21 Q. Mention has been made today about operating
22 below cost. What would happen to you, FirstTel, if you
23 were operating below cost?

24 A. Well, we couldn't operate below cost for very
25 long. How long is very long? I don't know. Depends

1 on how far below cost we are. It probably wouldn't
2 happen for very long. We would have to do something.

3 Q. This, in essence, affects the viability of
4 your company and the ability to stay in business?

5 A. It potentially could. We do some business
6 out of South Dakota. Most of it's in South Dakota.
7 But we maybe would go to greener pastures.

8 MR. PFEIFLE: Thank you.

9 THE CHAIRMAN: That's all I have.

10 THE CHAIRMAN: Cross-examination, U S West?

11 MR. WELK: Thank you, Mr. Chairman.

12 CROSS-EXAMINATION

13 BY MR. WELK:

14 Q. Good afternoon, Mr. Thurman. Mr. Thurman,
15 when did FirstTel commence doing business in the state
16 of South Dakota?

17 A. October of '93.

18 Q. What is the percentage of business that you
19 have from a gross revenue standpoint on the intrastate
20 side in South Dakota?

21 A. The percentage of our total of revenue that's
22 intrastate South Dakota?

23 Q. Right.

24 A. I'm not sure off the top of my head.

25 Q. Approximately a percentage, then. I'm going

1 to ask interstate so if it makes it any easier.

2 A. Okay. I would say 20 percent of our total
3 revenue.

4 Q. Is intrastate?

5 A. South Dakota.

6 Q. And what about interstate South Dakota?

7 A. Another 25 percent.

8 Q. I'm not sure that I got your testimony
9 clear. What was the percentage you say that the
10 intrastate access rate comprises of your direct costs?
11 What percentage? I know you testified, but I couldn't
12 hear you.

13 A. I said 50 percent but that's not correct.

14 Q. What is it?

15 A. I'm not very good at doing math in my head.
16 Okay, one-third.

17 Q. I thought it was 15 and then I thought it was
18 50, so that's why I asked.

19 A. Right in the middle, yeah.

20 Q. This cost, this intrastate access cost, is a
21 third of your cost of doing business. And are you
22 telling this Commission that you didn't ever understand
23 that there was a risk that that cost was going to go
24 up?

25 A. No, I'm not saying that.

1 Q. Isn't it -- I mean how long have you known
2 that the cost study done by U S West based on the '92
3 test year established a rate of 6.7 cents per minutes?

4 A. Since I got that what we call an impact study
5 on June 26th.

6 Q. Well, your company was a participant in the
7 sale of exchange dockets, was it not?

8 A. Yes, we were.

9 Q. Okay. And isn't it true that there was a
10 finding of fact made in that proceeding that U S West
11 cost switched access rate in the areas to be sold
12 pursuant to ARSD Chapters 20:10:27:20 or 20:10:29
13 inclusive would be 6.7349 cents per minute as
14 determined in 93-108?

15 A. The question?

16 Q. Do you recall that the Commission made that
17 finding of fact?

18 A. Yes, I do recall that.

19 MR. WELK: I would ask that a sample order of
20 TC94-122 be entered as Exhibit 19. As the Commission
21 knows, there are 55 of them, but I don't believe we
22 need 55 of them in the record.

23 THE CHAIRMAN: What part of that do you want
24 admitted?

25 MR. WELK: I have a page, Mr. Chairman. It

1 really is page 7, but I think for the rule of
2 completeness, for the rule of evidence, we probably
3 ought to have the whole Order. But it's finding of
4 fact 26 under switched access rates in TC94-122. And I
5 can either mark this page now and have a full Order.
6 Would you like me to do that?

7 THE CHAIRMAN: Why don't you.

8 Q. Just so the record is clear, what I handed to
9 the Court Reporter was a page, page 8, from the Wolsey
10 Exchange Order in 94-122. Well, did you know before
11 that proceeding, the sale of exchange proceeding, of
12 the cost of 6.7 for switched access?

13 A. I don't believe so.

14 Q. Did you ever inquire or make any
15 investigation of the Commission records as to what any
16 cost studies have been filed by U S West relative to
17 intrastate switched access?

18 A. No.

19 Q. Were you aware that the -- as compared to
20 other intrastate access rates that you pay for in other
21 states, that the 3 cent rate was an extremely low rate
22 in the state of South Dakota?

23 A. I wouldn't say it's extremely low.

24 Q. Low compared to other states that you do
25 business in?

1 A. A little bit lower.

2 Q. You were a participant, your company was, in
3 the Docket TC96-028 that preceded this docket relative
4 to the switched access rates of U S West?

5 A. Yes.

6 Q. That was last winter; is that correct?

7 A. Yes.

8 Q. And your company participated in that
9 proceeding and also objected to a 5.5 cent raise for a
10 phase-in; is that correct?

11 A. I don't remember if that was strictly an
12 objection or an agreement to defer.

13 Q. Your company participated in that proceeding
14 objecting to U S West increasing its rates; correct?

15 A. That's correct.

16 Q. Now, in regard to the actual cost study, in
17 reviewing your testimony, it appears, Mr. Thurman, that
18 you never did review the cost study.

19 A. I had not at that time. I have since then.

20 Q. Have you reviewed the model from the
21 Commission, the computer program?

22 A. I have reviewed the copy of the results that
23 are, I think, Exhibit 3, if that's what you're
24 referring to.

25 Q. So have you reviewed the switched access

1 rules of the Commission?

2 A. I have reviewed them, yes.

3 Q. Do you have any information as a CPA to
4 believe that the staff or U S West in running this cost
5 model did not run the cost model in accordance with the
6 switched access rules?

7 A. No, I do not.

8 Q. Do you know how many access lines were --
9 what percentage of U S West access lines were sold in
10 the sale of exchange docket?

11 A. No.

12 Q. What alternatives does your company have for
13 intrastate switched access other than purchasing it
14 from U S West?

15 A. At this time we really have none.

16 Q. What about the private line interstate
17 access, those testified to by Sprint?

18 A. In most cases that's not feasible.

19 Q. Why isn't it feasible for your company?

20 A. We have to have a concentration of traffic to
21 make that feasible.

22 Q. You have no intention to build facilities?

23 A. Not at this time.

24 Q. What is your average toll rate in the state
25 of South Dakota?

1 A. Interstate -- intrastate probably 14 cents.

2 Q. What about on the interstate side?

3 A. Thirteen.

4 Q. So what do you pay for intrastate switched
5 access in the state per minute?

6 A. I think it's approximately 3 1/2, somewhere
7 in there.

8 Q. And there would be 3 1/2 on the other end?

9 A. Not always, but approximately. Well, yeah,
10 if it states in state, yeah, yes.

11 Q. Do you also purchase switched access from
12 some of the other providers who were identified earlier
13 in the proceeding today, the LECA companies, SDN,
14 Dakota?

15 A. Yes, we do.

16 MR. WELK: I believe that's all the questions
17 I have, Mr. Chairman.

18 THE CHAIRMAN: Staff?

19 MS. CREMER: Staff has just a couple
20 questions.

21 CROSS-EXAMINATION

22 BY MS. CREMER:

23 Q. Good afternoon, Mr. Thurman. I just have a
24 couple questions. One that I was wondering, do your
25 term contracts allow you to renegotiate the contract if

1 the Commission were to order a switched access rate
2 increase?

3 A. I don't think we have anything in there that
4 gives us that right.

5 Q. Would there be anything that would prevent
6 you from renegotiating based on a Commission ruling
7 such as that?

8 A. You mean if the customer agreed to?

9 Q. Well, I was just curious within your contract
10 if there was anything to cover contingencies such as
11 that.

12 A. In most of them, no, because most of them
13 look for those kind of things. The customers have
14 gotten quite astute at asking those kind of questions
15 as to is this a definite and locked in rate.

16 Q. Okay. The other question I would have is
17 based upon the Commission's switched access rules as
18 they currently exist, what's your recommendation for a
19 switched access rate per minute?

20 A. Would you repeat that, please?

21 Q. Yeah. Based upon the Commission rules as
22 they currently exist, what is your recommended switched
23 access rate?

24 A. Well, I think that, like I said, I'm not
25 questioning the rules or the model or any of that. I

1 would possibly question some of the input into that
2 model as where that came from. However, I guess the
3 costs are there, they do need to be recovered.

4 One of my biggest problem with it is that a
5 100 percent increase is just, all at one time is not
6 reasonable. If it wasn't necessary to go to the top
7 level all at once before, why is it now all at one
8 time? It just leaves us, like I said, what we do
9 between us in competition can never be that drastic
10 because the market won't bear it. But when we're
11 dealing with a supplier that's a monopoly, we -- I mean
12 that's the only way we would be up against a situation
13 where we got, you know, pays 100 percent increase in a
14 cost.

15 Q. So --

16 A. So my answer?

17 Q. Yeah.

18 A. I didn't answer it, did I?

19 Q. No, you didn't.

20 A. Some sort of, I guess, a reasonable increase
21 might be somewhere around 10 percent, maybe 15.
22 Sometimes in marketplaces you have -- you see a 15
23 percent increase or something, but it's generally not
24 more than that.

25 Q. But do you eventually see it going to 6.15,

1 or you're opposed even to the 6.15?

2 A. Well, do I think it will ever get there if it
3 was phased in? No, because I think there will be
4 alternatives before that that are cheaper because the
5 market will cause it to be cheaper. Do I -- I think if
6 there was no changes, I think it would have to get
7 there sometime probably. But I don't think the change
8 in environment probably won't let it get there.

9 Q. You stated earlier that you would question
10 some of the inputs. What inputs do you question?

11 A. I wouldn't know until I saw them other than
12 Jerry Noonan and I reviewing it. There's just some
13 things as an accountant just doesn't look quite right.

14 Q. Let me ask you this: What do you think it
15 would take you and Jerry Noonan how long to go down and
16 audit U S West?

17 A. About three years.

18 MS. CREMER: Thank you.

19 THE CHAIRMAN: Mr. Tieszen, do you have any
20 cross?

21 MR. TIESZEN: No, Mr. Chairman, no questions.

22 THE CHAIRMAN: Mr. Gerdes?

23 MR. GERDES: No questions, Mr. Chairman.

24 THE CHAIRMAN: AT&T?

25 MR. LOVALD: No questions.

1 THE CHAIRMAN: Mr. Hertz?

2 MR. HERTZ: No questions.

3 THE CHAIRMAN: Commission counsel?

4 MR. HOSECK: Yes.

5 CROSS-EXAMINATION

6 BY MR. HOSECK:

7 Q. Mr. Thurman, on page 3, line 11 of your
8 testimony you questioned structure of a spreadsheet
9 computer model can come up with the same result
10 including and excluding the 55 rural exchanges sold by
11 U S West. Could you expand upon your questioning of
12 this spreadsheet? In other words, do you think or do
13 you have an opinion that there has been some abuse as
14 far as inputting information into this in this
15 particular case?

16 A. At the time this was done, I hadn't seen the
17 spreadsheet or results, I mean the actual document as a
18 result of that at that time. And I guess in the way
19 things flow through that, after looking through it, I
20 don't have any particular problem with that. And I
21 don't know that there's any specific items necessarily
22 going in there other than depreciation, as been talked
23 about before, and I have a concern about that.

24 But it's just that it doesn't seem likely or
25 logical to me as an accountant and things that when you

1 sell off -- I guess we're spoken of as being high cost
2 exchanges, being high cost per customer. Maybe in
3 total costs aren't that high, but in providing it to a
4 limited number of customers becomes high cost. That
5 when you eliminate that, you eliminate a lot more costs
6 than you do minutes, relatively speaking, and it should
7 bring that rate down more than what it would appear.
8 And I guess to accountants like us, that's just the way
9 it seems.

10 Q. Hypothetically if the model was a given, in
11 other words, it's going to operate in certain ways
12 depending on the information that's given to us, what
13 would cause it, from an accountant's point of view, to
14 reflect the information that is in the study with
15 regard to the results being the same?

16 A. Well, assuming that the actual pure
17 historical information for 1995 is accurate, the
18 problem would come in then making the appropriate
19 adjustments to how it is now after the exchanges were
20 sold, after certain other things have happened. The
21 number of minutes, change in the number of minutes
22 relative to the change in those costs. It's assuming
23 '95 is accurate, which I would assume it's audited, et
24 cetera.

25 Q. On page 4, line 13, you make reference to

1 perhaps only a pro rata share of costs saved in South
2 Dakota finding their way to the South Dakota ledger.
3 Could you expand upon what your thoughts were in that?

4 A. My thoughts on that are that when those
5 exchanges were sold, those proceeds then would --
6 should have been used to directly reduce the investment
7 U S West has in South Dakota, thus reducing. And if
8 they applied it directly against their facilities cost,
9 their fixed cost, then theoretically that would reduce
10 their depreciation or their recovery that they needed
11 each year for those. That would be considerable.

12 Because right now the purchases of those
13 exchanges are passing the purchase cost on it to
14 consumers of South Dakota through higher access costs
15 which they need to do because they purchased it. On
16 the other side, then, U S West costs should go down.
17 There's more or less an offset. Only one of the two
18 parties has those costs any more.

19 Q. And you're speaking of the proceeds of the
20 sale of the exchanges; is that correct?

21 A. Right.

22 Q. Well, if the order of the Commission was that
23 that was money to go to the shareholders as opposed to
24 back in the company, would that change your opinion as
25 to whether or not there was something that didn't find

1 its way to the ledger?

2 A. That would.

3 MR. HOSECK: I have no further questions.

4 THE CHAIRMAN: Commissioners?

5 COMMISSIONER BURG: I have one. What kind of
6 investments do you have in South Dakota?

7 A. Dollarwise you mean or types?

8 COMMISSIONER BURG: Both probably.

9 A. Well, in equipment and facilities, you know,
10 we have two Harris switches in Sioux Falls and then we
11 rent the facility, and we have 55 employees.

12 COMMISSIONER BURG: 55 employees?

13 A. 55. And so in the increment we have well
14 over a million dollars invested in equipment and other
15 vehicles, et cetera.

16 COMMISSIONER BURG: That answered my
17 question.

18 THE CHAIRMAN: Commissioner Schoenfelder.

19 COMMISSIONER SCHOENFELDER: Yes. If this
20 rate would increase, I think you're saying 106 percent?

21 A. Yeah, that's what ours says.

22 COMMISSIONER SCHOENFELDER: Would that be an
23 incentive for FirstTel to invest in facilities based
24 competition?

25 A. Not likely.

1 COMMISSIONER SCHOENFELDER: What would it
2 take for you to invest in facilities based competition?

3 A. We probably aren't at a size where we could
4 do that feasibly if we had to do that right now. Like
5 I said, probably if we didn't have any other
6 alternatives to go and resell somebody else's or ride
7 somebody else's facilities, we very well would raise
8 our rates. If we lose customers, we lose them, but try
9 to make it up in other states where we can be
10 competitive.

11 COMMISSIONER SCHOENFELDER: So you would just
12 pass it on to your customer? Or how high does the rate
13 get in South Dakota before you become -- your company
14 becomes in jeopardy, or is that not feasible?

15 A. Well, I think I understand your question.
16 And how much could we absorb and still stay competitive
17 and stay in business? There's not much competition for
18 us in a lot of parts of South Dakota. If you get out
19 of the ten largest cities or towns in South Dakota, the
20 competition goes way down.

21 COMMISSIONER SCHOENFELDER: Are you operated
22 in those smaller communities?

23 A. Yeah, all over.

24 COMMISSIONER SCHOENFELDER: But you don't
25 have many competitors?

1 A. Not near as many in those areas. Our rates
2 are a little higher there because we have, well, the
3 independent companies have higher accuracy rates, so
4 our rates are higher there and they are higher there.
5 But some of those areas, U S West areas -- you have to
6 remember, we're only talking U S West areas really
7 now. There's still some of those smaller areas where
8 we can probably raise rates a little bit because you
9 start to get into the ten largest cities and you start
10 to get a lot more players and competition and that's
11 where our margins are less. That's where our average
12 rates are down there closer to what companies like
13 Sprint charge and things, and there's where we have
14 very little room to operate.

15 COMMISSIONER SCHOENFELDER: Thank you.

16 THE CHAIRMAN: How many other states do you
17 operate in?

18 A. Basically in four others: North Dakota,
19 Nebraska, Wyoming, and small parts of Minnesota and
20 Iowa.

21 THE CHAIRMAN: Are their access rates higher
22 or lower?

23 A. Some of them are about the same. Some are
24 just a tad higher. Not very much.

25 THE CHAIRMAN: You charge different rates in

1 those states?

2 A. Yes, we do we have different rates for each
3 state.

4 THE CHAIRMAN: Some lower, some higher?

5 A. Uh-huh, and depending on where we have our
6 lines that go in directly it makes a little difference
7 too.

8 THE CHAIRMAN: So competition, then, is
9 defined as competitive. In other words, if you run
10 into a state where there are higher switched access
11 rates, everybody pays them, so therefore everybody's
12 rate is higher; is that right?

13 A. Not entirely. As you can tell from Sprint's
14 testimony, that they tend to average them out. And
15 what usually happens is that our margins will be
16 somewhat less than those, not totally proportionately
17 but they'll be tighter. We don't -- basically why we
18 stay away from Minneapolis, for example, or the bigger
19 the community, the tighter the margins because people
20 -- national companies will be there and their costs
21 would be probably a little less than ours because they
22 average them out over the whole country.

23 THE CHAIRMAN: What are the switched access
24 rates in North Dakota?

25 A. I have a network manager that keeps track of

1 all that for me, so I don't have a lot of that on the
2 top of my head.

3 THE CHAIRMAN: Higher?

4 A. I don't remember. I think they're a little
5 bit higher, yes.

6 THE CHAIRMAN: How about Wyoming?

7 A. Just a little bit.

8 THE CHAIRMAN: How about Nebraska?

9 A. Nebraska I don't remember.

10 THE CHAIRMAN: So FirstTel is in a position
11 to average the rates, too, in case they run into some
12 glitches of differences in access rates?

13 A. Right. That's true. However, mostly we're
14 right in the states that are not a whole lot different,
15 and we run into the same situation where there's a lot
16 of independent telephone companies in each of those
17 states.

18 THE CHAIRMAN: An interesting observation was
19 made by, I think, the previous witness. If U S West
20 gave you the access for nothing, and if the access was
21 raised even one mill, a tenth of a cent, what would
22 your percentage increase be? And you're asking the
23 Commission to draw a conclusion from the 100 percent
24 increase now?

25 A. But then the percentage of our total costs

1 would almost be zero also, so the impact upon our
2 business would be almost zero as well.

3 THE CHAIRMAN: But you're asking us to draw
4 the conclusion from the increase in the access rates
5 though.

6 A. Yeah, because those are not just a
7 percentage.

8 THE CHAIRMAN: What would be the mathematical
9 increase if you had it given to you for nothing and
10 they raised it to one mill?

11 A. You can't look at it just one part of it.

12 THE CHAIRMAN: That's what I think too. But
13 you were asking us to draw that conclusion, I think, by
14 the hundred percent increase.

15 A. Now, if you take the 106 percent increase and
16 the fact that it's a third of our direct costs, then
17 you got a big number. If it was only a 100th of our
18 cost and it went up 106 percent, we probably wouldn't
19 be here wasting our time.

20 THE CHAIRMAN: I think we understand what it
21 is, but I was kind of asking you what you really wanted
22 us to draw a conclusion from that percentage.

23 A. You can't look at that all by itself, I
24 agree.

25 COMMISSIONER SCHOENFELDER: When you're

1 comparing rates, are you -- access rates, you're
2 comparing the existing rates or the proposed ones?

3 A. Existing.

4 THE CHAIRMAN: You were comparing the
5 existing rates with the other states that I mentioned;
6 right?

7 A. Yeah.

8 THE CHAIRMAN: Any redirect, Mr. Pfeifle?

9 MR. PFEIFLE: No, Mr. Chairman.

10 THE CHAIRMAN: Any recross?

11 RECROSS-EXAMINATION

12 BY MR. WELK:

13 Q. I just have one question. I'm a little slow
14 on the math, Mr. Thurman. You said that the intrastate
15 switched access was a third of your costs, your direct
16 costs; correct?

17 A. Yes.

18 Q. So that must mean that your total direct
19 costs are 18 cents?

20 A. No. I'm starting with 3 cents.

21 Q. Three is a third? So your total direct costs
22 are 9?

23 A. Not all the time, no.

24 Q. I don't know how you're in business.

25 A. We're talking about South Dakota, and you're

1 talking about U S West areas.

2 Q. I thought you told me that your average toll
3 rate was 14 and 13. And your total direct costs are 9,
4 is that what you're saying?

5 A. They would average more than that, a little
6 bit more than that. Do I have to give all my
7 information?

8 Q. But you're paying 6 to U S West, or assuming
9 that was U S West; right, 3 and 3?

10 A. You're talking now what my cost is?

11 Q. Right. I'm wondering just from what you've
12 said today.

13 A. My cost of intrastate calls is more than
14 that, but you're talking about an average in total.
15 You're saying our total, all states, all revenue.

16 Q. That's --

17 A. That's the difference.

18 Q. Okay.

19 A. It would be different within the state.

20 THE CHAIRMAN: Thank you. Any more recross?
21 If not, thank you, Mr. Thurman.

22 A. Thank you.

23 THE CHAIRMAN: Mr. Pfeifle, you can call your
24 next witness.

25 MR. PFEIFLE: Thank you, Mr. Chairman. I

1 call Jerry Noonan.

2 JERRY NOONAN,

3 called as a witness, being first duly sworn,
4 was examined and testified as follows:

5 DIRECT EXAMINATION

6 BY MR. PFEIFLE:

7 Q. Please state your name and occupation.

8 A. My name is Jerry Noonan. I am a certified
9 public accountant and owner of an interexchange company
10 called TeleTech.

11 Q. Are you also a member of Telecommunications
12 Action Group?

13 A. Yes, I am.

14 Q. Would you please state your educational
15 background and career experience?

16 A. Well, as indicated, I've been a CPA for about
17 twenty-nine, thirty years, and been actively involved
18 in computers and long distance for about the last ten
19 years.

20 Q. Have you prefiled testimony in this docket?

21 A. Yes, I have.

22 Q. And you have before you what's been marked
23 Exhibit 10. Would you identify that?

24 A. Yeah, that's my testimony.

25 Q. Is that your prefiled testimony?

1 A. Yes, it is.

2 Q. And if I were to ask you those same questions
3 today, would you answer them the same as in your
4 prefiled testimony?

5 A. Yes, I would.

6 Q. Would you make any changes or corrections to
7 that testimony today?

8 A. No, I don't think so.

9 MR. PFEIFLE: Mr. Chairman, I'd offer Exhibit
10 10.

11 THE CHAIRMAN: Any objections? It's
12 admitted.

13 Q. Would you summarize your testimony?

14 A. Well, as I indicated in my direct testimony,
15 my purpose in testifying before this Commission was
16 basically two-fold: First, I wanted to explain to the
17 Commission the financial effect these proposed access
18 rates would have on our company.

19 And, secondly, I'd like to point out to the
20 Commission some of the -- or I guess I refer to it as
21 inadequacies of the current interstate access cost
22 model in view of the Telecommunications Act.

23 And, first of all, I have indicated the
24 financial effect that this would have to our particular
25 company. We have been advised by the same document

1 A. They're a limited number that we can get
2 in 30 days, correct. The majority of our customers
3 longer term. Most recently they have been the longer
4 term really is about a year

5 Q. Now, in regard to your company, how much
6 you purchase in minutes of in intrastate
7 access?

8 A. Honestly, I do not have the answer to that
9 number. I also perhaps might be violating a
10 confidentiality agreement I have with my company.
11 If you would like that information and it's necessary for
12 this proceeding, I'd be very willing to supply that
13 to you under seal.

14 Q. There's a process if you'd like to follow
15 that to furnish that information. I'd like the same
16 percentages furnished. You can do it under the
17 confidential order on intrastate-interstate and the
18 percentages if you'd like to do that.

19 A. Okay.

20 MR. WELK: I'd ask that to be 20. Exhibit
21 as a late-filed exhibit for Midco.

22 THE CHAIRMAN: It will be admitted under
23 cover.

24 Q. If you have any questions, you can contact
25 or the provision we can provide under seal.

A. Great.

Q. Is it my understanding, have you ever reviewed the Commission's switched access rules?

A. Yes.

Q. Have you ever looked at the cost study in this case?

A. I have not.

Q. You are not providing any testimony here today, are you, that the staff or U S West has not properly done a cost study as required by the Commission's rules?

A. No, I am not.

Q. Now, you indicated, I believe, in your testimony, Mr. Simmons, that you weren't a participant in Docket 94-121. That's what we call the price exchange docket, if you will. Your company certainly was a participant in that proceeding, was it not?

A. It was.

Q. And your company was a participant in the sale of exchange docket?

A. It was.

Q. Your company also was a participant in the proceeding that occurred in 94-028, which was another switched access increase docket by U S West earlier this year; is that correct?

A. That was a 6.7 percent request?

Q. Yes, with the 5. percent phase-in in that proceeding.

A. Yes.

Q. And your company participated in that dockets opposing the increase; is that correct?

A. Yes.

Q. How long has your company then known that the costs as computed by U S West in connection with utilizing the Commission's model produced a 6.7 percent per minute rate?

A. I don't know if I can give you the date that our company would know about that. I can tell you that I have known about it for as long as I've been a part of it, which is about a year or more.

Q. So it's a risk that you've seen of the potential in regard to your business operations that it may go up to that rate?

A. I guess it's a risk. The part that we were watching closely was, again, that issue of phase-in.

Q. But you aren't telling this Commission that it wasn't a risk that you foresaw as a business person that the rate could go to that level?

A. Certainly.

Q. You're certainly telling the Commission that

1 it was a risk that you for saw?

2 A. We knew the number.

3 MR. WELK: I have nothing further.

4 THE CHAIRMAN: All right?

5 CROSS-EXAMINATION

6 BY MS. CREMER:

7 Q. Mr. Simmons, as an intervenor in this case,
8 are you prepared to recommend to the Commission what
9 you believe would be an appropriate switched access
10 rate per minute?

11 A. Having not reviewed the cost studies, I don't
12 know I would be qualified with all of that. I guess I
13 would defer that to other members of TAG who have
14 already testified. I've heard good testimony today. I
15 believe, and very aware that we have an open docket to
16 review these things. I would hope that we would not
17 have to go through all of these things over and over
18 again. My greatest concern, as I mentioned, is that
19 whatever is determined by the Commission as the fair
20 and equitable rate for the protection of my own
21 customers that could somehow be phased in. It would be
22 greatly appreciated.

23 Q. But you don't have a number?

24 A. I do not have a number.

25 MS. CREMER: Okay. Thank you. That's all.

Have.

THE CHAIRMAN: Mr. Tieszen?

MR. TIESZEN: No questions.

THE CHAIRMAN: Mr. Gerdes?

MR. GERDES: No questions, Mr. Chairman.

THE CHAIRMAN: Mr. Lovald?

CROSS-EXAMINATION

BY MR. LOVALD:

Q. Mr. Simmons, I'm going to ask you the other part of the equation that we started with Mr. Culp this morning about local business rates. As I understand it, one of your contracts is with the South Dakota Retailers Association; is that correct?

A. That's correct.

Q. Would you characterize them as a fairly large broad-based organization spread all over the state of South Dakota?

A. I would.

Q. Would you disagree with me if I asked you if your current intrastate long distance rate being charged through that plan is approximately 11 cents a minute?

A. That's correct.

Q. Under that plan does it make any difference if you're a local hardware store in Kadoka, South

Dakota, perhaps making ten calls a month, or a large law firm in the city of Sioux Falls in terms of what that rate is that's offered?

A. It makes no difference.

Q. So even though you are terminating a LRCA exchange and originating out of a U S West exchange, you're still offering the 11 percent rate?

A. That's right.

Q. Are you going to be able to maintain that rate if the Commission grants the full increase requested by U S West and does not phase that rate in over a period of time?

A. It would likely be a legal question of whether I had to maintain that rate. Can I maintain that rate? No, I cannot. I would be going broke. It would certainly put the Retail Association plan in deep jeopardy.

Q. Even from U S West to U S West exchanges, if you add originating, you add terminating those two components alone are more than what you're currently charging; is that correct?

A. That's correct.

MR. LOVALD: I have nothing further.

THE CHAIRMAN: Mr. Hertz?

MR. HERTZ: No questions.

THE CHAIRMAN: Commission counsel?

MR. HOSECK: No questions.

THE CHAIRMAN: Commissioners?

COMMISSIONER BURG: Just one. How many employees, or what size is your business in South Dakota?

A. What size is my business in South Dakota? Employees?

COMMISSIONER BURG: Right.

A. We have 84 employees.

COMMISSIONER BURG: And you have some facilities investments, too; right?

A. Yes, we have facilities in Sioux Falls. We are -- that is actually our network operations center that we're developing, but we also maintain offices in four other cities throughout the state.

THE CHAIRMAN: I'm curious where you said that your access in some of the other exchanges in South Dakota are more than your retail rate. Hasn't that ever occurred to Midco to maybe adjust those rates to insure some kind of margin or are you basically in all of the margins in the large cities in South Dakota that you can afford to offer some kind of a rate out there?

A. The rates that we offer in the plan are

1 universal throughout the entire state. Every time a
2 user in a far distant small independent territory signs
3 up, I cringe a little bit, send a check out to install
4 an expensive dialer that will take me probably for
5 eight years to retire, but a deal is a deal. So far
6 the plan has worked out. It's balanced out fairly
7 well. I should also say that the plan is an old one.
8 I did not put it together. I would not have been that
9 creative, but I think it's been a good plan, and we
10 have struck a great business partnership with the
11 retailers across the state.

12 THE CHAIRMAN: I think we heard earlier
13 testimony this morning that if you combine originating
14 and terminating rates in some of the outer rural
15 exchanges, I think that would probably come up to well
16 over 20 cents a minute. That's a hell of a deal.

17 A. Yes, it is.

18 THE CHAIRMAN: If a guy can get an 11 cent
19 rate when even the terminating and originating rates in
20 that same exchanges are more than double that?

21 A. It is. It's a wonderful rate. Thankfully
22 the larger users of services are in the larger cities.

23 THE CHAIRMAN: Have you ever been a farmer
24 before? This is how my in-laws tell me about it all
25 the time.

THE CHAIRMAN: I don't have any further questions. Commissioner Schoenfelder?

COMMISSIONER SCHOENFELDER: I don't have anything.

THE CHAIRMAN: Any redirect? No? Any recross?

RECROSS-EXAMINATION

BY MR. WELK:

Q. Mr. Simmons, the contract you referred to with the retailers, are those made individually with the retail members or with an association-wide?

A. It's a blanket agreement with the association, but the individual contracts are made with individual retailers.

Q. What are the termination provisions in the contract you referred to with Mr. Lovald?

A. It's a one-year time period upon signing the agreement.

Q. So each customer's term would be different but at the expiration of one year the contract is terminated?

A. That's correct.

Q. Are there any other termination provisions allowed in the contract other than the expiration of the term?

A. The expiration or the termination is, I believe we have a termination clause if our costs are forced above a 10 percent increase.

Q. You can terminate, then, if they're forced above 10 percent?

A. I would have to check I believe so, but I would have to check.

Q. If that is not the case, would you mind selling that contract under seal? I mean I'd leave it the way that --

A. Yes.

Q. I'll accept your representation based on your knowledge, but sometimes the document is different than one's knowledge. So if it's different, would you then seal that under seal with the other information?

A. Yes, I will.

THE CHAIRMAN: I'll accept that under seal if it's a different.

MR. WELK: So I would reserve Number 21, Mr. Chairman, for that exhibit if it is to be filed.

THE CHAIRMAN: All right.

MR. WELK: The Midco retailers contract.

THE CHAIRMAN: Any further questions? Any more recross? If not, thank you, Mr. Simmons.

Mr. Pfeifle, you can call your next witness

MR. PFEIFLE: Mr. Dennis Law.

DENNIS LAW,

called as a witness, being first duly sworn,
was examined and testified as follows:

DIRECT EXAMINATION

BY MR. PFEIFLE:

Q. Please state your name and occupation.

A. My name is Dennis Law. I am the
vice-president of TCIC Communications in Sioux Falls.

Q. Is that also a member of Telecommunications
Action Group?

A. We are a member of the Telecommunications
Action Group.

Q. What is your background and career
experience?

A. I have been employed by TCIC since its
inception in 1990. My educational background is I
received a bachelor of science degree in journalism
from South Dakota State University in 1987, and I
completed my master's of science in administrative
education with the University of South Dakota in 1996.

Q. You have before you what's been marked
Exhibit 11. Could you identify that?

A. Yes.

Q. And what is it?

A. This is my prefiled direct testimony.

Q. And has that prefiled testimony been already used in this case?

A. Yes.

Q. Would there be any changes or corrections you would make to that testimony?

A. No.

Q. If I asked you those same questions today, would your answers be the same?

A. Yes.

MR. PFEIFLE: Mr. Chairman, I'd offer Exhibit

4.

THE CHAIRMAN: Any objection? It's entered.

Q. Would you briefly summarize your testimony?

A. My testimony is similar to the other TAG members from the standpoint that the proposed increase from U S West regarding intrastate switched access rates would increase my cost as TCIC by 108.4 percent. This information was relayed to me in a letter from C. H. Osborn of U S West on June 26th of this year. My prior testimony also does not go directly into the rate allocation method as developed by this Commission.

However, I did propose some alternatives that

I believe the Commission can look at, including different Administrative Rules of South Dakota involving suspension of the rates, perhaps waiting longer concerning the docket that is open, also perhaps waiting until the Federal Telecommunications legislation is sorted out more thoroughly. That is the rest of my testimony.

Q. What would be the impact of this rate increase upon your South Dakota customers?

A. This increase would have a dramatic impact on my business. We are tariffed in South Dakota and approximately 90 percent of TCIC's business originates in South Dakota with South Dakota business customers. Another 10 percent -- approximately 10 percent comes from the surrounding states, but an overwhelming majority of our business is from South Dakota. Consequently, this would have a very large impact on my company.

Q. What's the percentage or fraction of your business costs that the switched access rate represents?

A. The direct operating cost from the U S West switched access rate as it exists today is approximately 50 percent.

MR. PFEIFLE: That's all the questions I'd

1 have.

2 THE CHAIRMAN: U S West?

3 MR. WELK: Thank you.

4 CROSS-EXAMINATION

5 BY MR. WELK:

6 Q Good afternoon, Mr. Law.

7 A. Good afternoon.

8 Q. In regard to your business, you indicated
9 that 90 percent originated in South Dakota --

10 A. Correct.

11 Q. -- is that correct?

12 A. Yes.

13 Q. What's your minutes of use on intrastate
14 switched access?

15 A. I cannot give you an exact figure.

16 Q. Same for the minutes of use on interstate
17 access?

18 A. Correct.

19 Q. Can't give me that? As I understand your
20 testimony -- have you reviewed the cost study?

21 A. I have reviewed it. However, I am not in a
22 position to verify its accuracy or validity within this
23 case.

24 Q. And so you can't disagree -- strike that.
25 You have no information to give the Commission that

1 anything was inappropriate that was done in
2 constructing the cost study in connection with the
3 Commission rules?

4 A. Correct.

5 Q. Have you reviewed the Commission rules on
6 switched access?

7 A. I have reviewed them

8 Q. Your company was a participant in the 94-1227
9 docket; is that correct?

10 A. I believe so.

11 Q. Was your company also a participant in the
12 sale of exchange Docket 94-1227?

13 A. Correct.

14 Q. How long has your company known that the 94-1227
15 had a cost study that showed that its cost for
16 intrastate switched access in South Dakota was 6.7
17 cents?

18 A. From my position, I first became aware of
19 this earlier this year when we did. I believe the
20 docket number is TC96-028. I believe that's the docket
21 number.

22 Q. That would have been the proceeding that
23 preceded this one with the proposed increase that was
24 held earlier this year?

25 A. Correct.

1 Q. You weren't aware of that through your
2 participation in the sale of exchange docket or in fact
3 about the 6.7 cost study?

4 A. I was aware there was an alternative rate
5 that U S West had addressed in previous issues,
6 however, I was not aware that the exact figure was 6.7.

7 Q. Did you read the Order in the sale of
8 exchange dockets?

9 A. Did I read the Order?

10 Q. You didn't see it?

11 A. I don't recall it.

12 Q. Have you known since your business has been
13 operating that there was a risk that U S West would
14 take its intrastate switched access up to its cost?

15 A. I was aware that there was a number available
16 via U S West in previous issues that was higher than
17 the 3.1, I believe, figure that is currently being
18 charged.

19 Q. So you knew it was a risk of your business
20 operations that some day that rate could go up to the
21 actual cost?

22 A. I was not aware of what the actual cost
23 number was. I was aware it was not 3.1.

24 Q. You knew there was a risk it would go up, you
25 didn't know what the risk was?

1 A. Correct.

2 MR. PFEIFLE: It's been asked and answered.
3 Mr. Chairman.

4 Q. He's already answered that. And this case,
5 this intrastate switched access, it, is 50 percent of
6 the direct cost of your business.

7 A. Correct.

8 Q. Your business is located in South Dakota.
9 Where in South Dakota?

10 A. We are located at 140 North Phillips Avenue
11 in downtown Sioux Falls, South Dakota.

12 Q. And you are a pure reseller?

13 A. Could you be more specific, please.

14 Q. Do you have any facilities to provide
15 telecommunications?

16 A. We are a switched reseller.

17 Q. So you have a switch at your facilities?

18 A. Correct.

19 Q. Besides your switch, do you have any other
20 facilities in the state?

21 A. By facilities you're referring to fiber
22 copper switches?

23 Q. Any type of equipment that would provide
24 telecommunications.

25 A. I have other equipment or facilities in other

1 parts of the state, primarily those that allow us to
2 route different types of long distance traffic to my
3 network, commonly referred to as long distance out to
4 dialers, what have you.

5 Q. So you've got a switch in your network?

6 A. Correct.

7 Q. How many employees do you have?

8 A. Approximately 25 full time and part time
9 employees.

10 Q. Do you sell telecommunications services
11 throughout the state?

12 A. Correct.

13 Q. Where are most of your customers located, or
14 are they scattered?

15 A. Our customers are located throughout South
16 Dakota.

17 MR. WELK: I have no further.

18 THE CHAIRMAN: Stand.

19 MS. CREMER: We have nothing.

20 THE CHAIRMAN: Mr. Tieszen?

21 MR. TIESZEN: No question.

22 THE CHAIRMAN: Mr. Gerdes?

23 MR. GERDES: No question, Mr. Chairman.

24 THE CHAIRMAN: Mr. Lovald?

25 MR. LOVALD: No question.

THE CHAIRMAN: Mr. [REDACTED]?

MR. HERTZ: No question.

THE CHAIRMAN: Commission on counsel?

MR. HOSECK: No question.

THE CHAIRMAN: Commission on opera?

COMMISSIONER BURG: [REDACTED] the same one I have
is how many employees do you [REDACTED]

A. We have approximated [REDACTED] full and part-time
employees all located in our [REDACTED] in Sioux Falls.

COMMISSIONER BURG: [REDACTED] also have some
instate investment; is that correct?

A. You are correct. We have a switch and the
various operating platforms required to run that switch
as well as customer equipment [REDACTED] we've placed on
customer premises throughout [REDACTED] Dakota.

COMMISSIONER BURG: [REDACTED] you have any salesmen
or any other people other than [REDACTED] Sioux Falls?

A. We have salespeople [REDACTED] as well as independent
contractors in other areas of [REDACTED] state; however, our
salespeople are located in Sioux Falls and cover the
entire region. They are based [REDACTED] here, but it is not
uncommon to drive to all points [REDACTED] the state from Sioux
Falls.

THE CHAIRMAN: Any subject?

MR. PFEIFLE: No, Mr. Chairman.

THE CHAIRMAN: And cross? If not, thank
you, Mr. Law. You may call the next witness.

MR. PFEIFLE: Sue [redacted].

SUSAN [redacted].

called as a witness being first duly sworn,
was examined and testified as follows:

DIRECT EXAMINATION

BY MR. PFEIFLE:

Q. Please state your name and occupation.

A. My name is Susan [redacted], and I'm the assistant
manager of customer service at Tel Serv.

Q. Is Tel Serv also a member of TAG?

A. Yes, it is.

Q. And do you see what's in front of you marked
Exhibit 11? Could you please look at that?

A. That is my pre-testimony.

Q. That's your preferred testimony?

A. Yes, it is.

Q. Would there be any changes or corrections
that you'd make to that testimony if it were given
today?

A. No, there's not.

Q. If you were asked the same question today,
would those be the same answers you would give?

A. Yes, they would.

MR. PFEIFLE: Mr. [redacted] an, I'd offer Exhibit

THE CHAIRMAN: Any questions? It's admitted.

Q. Would you briefly summarize your testimony?

A. In our testimony, [redacted] the way that we looked at this is we are a provider in the state of South Dakota only. And with an increase of 124 percent, which is the amount [redacted] would affect Tel [redacted] basically we consider that undue hardship for our company. I don't know, you [redacted] where we could allocate the costs. And it [redacted] definitely would affect our end users, or our customers.

Q. Do you know what switched access rates, what percentage of that is of your [redacted] business operating expense?

A. I don't. I don't know those figures.

Q. What would you do? Would you pass on these additional costs on to your South Dakota consumers?

A. Because our consumers are only in South Dakota. I guess I can't believe that a rate increase wouldn't be in our future. In South Dakota we, like [redacted] and other TAG members, provide the same rates to customers in the U S West area as well as the other [redacted] in South Dakota. So I [redacted] see where we

wouldn't have to address that

MR. PFEIFLE: That's all the questions I'd have.

THE CHAIRMAN: U S A?

MR. WELK: Thank you, Mr. Chairman.

CROSS-EXAMINATION

BY MR. WELK:

Q. Good afternoon, Miss Bok.

A. Good afternoon.

Q. Could you tell us a little about your business? I see you're located in Aberdeen; is that correct?

A. That's correct.

Q. Are you a reseller?

A. We're a switched reseller.

Q. So you have a switch and then do you have some autodialers out?

A. That's correct, we do.

Q. How many employees?

A. We have nine.

Q. And how many customers do you have in the state?

A. It would be an approximate, a guess. I would say number of customers, oh, 300 in that range.

Q. Do you have written or oral contracts with

1 the customers?

2 A. We have some of both.

3 Q. Are there termination provisions in the
4 contract that would allow you with increased costs to
5 readjust those charges to your customers?

6 A. We have provisions that if we do greater than
7 say a 10 percent increase, that our customers are
8 allowed out of the contracts.

9 Q. What about it from your side?

10 A. Well, we also have provisions where if our
11 cost of business goes up, yes, our rates also go up.

12 Q. So you provide for that in your agreements?

13 A. We have.

14 Q. Do you have a termination clause in your
15 agreements a 30 or 60-day clause or they expire at a
16 given term?

17 A. We have term contracts, and those vary based
18 on the agreement we make with the individual customer.

19 Q. What would be the length of the terms, 30
20 days to a year, or what's the range?

21 A. Our term contracts, we have one-, two-year
22 and 36-month contracts.

23 Q. And the provisions regarding adjusting costs,
24 would they be contained in all those contracts?

25 A. Yes, they would.

Q. Do you know the minutes of use your company purchases on intrastate switched access?

A. No, sir, I don't have that information.

Q. Do you know what your average toll charge is for intrastate calls?

A. We have tariffed rates in state. They can be provided to you, I guess. I don't have those.

Q. Okay. Would you? And also do you have rates for the long distance, too, as well?

A. Yes.

Q. Would you know those, or could you provide those later?

A. We can provide those. We have a range, you know, depending upon the term contract, anywhere from 10 to 15 cents a minute.

Q. Do you know what the range would be on the average intrastate call?

A. No, sir, I don't.

MR. WELK: Okay. I'd ask that be filed as a late-filed Exhibit 22, Mr. Chairman.

THE CHAIRMAN: It will be admitted.

Q. Do you understand what I mean by that, that after you go home --

A. Yes.

Q. -- you send it in. This will be added to the

1 record here as Exhibit 22. Have you looked at the com-
2 study in this case?

3 A. I have not.

4 Q. Have you looked at the switched access rules
5 of the Commission?

6 A. I have not.

7 MR. WELK: No further questions.

8 THE CHAIRMAN: Staff?

9 MS. CREMER: No questions.

10 THE CHAIRMAN: Mr. Tieszen?

11 MR. TIESZEN: No questions.

12 THE CHAIRMAN: Mr. Gerdes?

13 MR. GERDES: No questions.

14 THE CHAIRMAN: Mr. Lovald?

15 MR. LOVALD: No questions.

16 THE CHAIRMAN: Mr. Hertz?

17 MR. HERTZ: No questions.

18 THE CHAIRMAN: Commission counsel?

19 MR. HOSECK: No questions.

20 THE CHAIRMAN: Commissioners? Redirect?

21 MR. PFEIFLE: No, sir.

22 THE CHAIRMAN: Any recross? Thank you, Miss
23 Cook. I think that ends the witness list except for
24 ATAT. Now, I understand some of you have to be in
25 court at a quarter of five. What's your pleasure?

Come back in the morning? So we reconvene here at 9:00 o'clock in the morning. We're recessed for the day.

(RECESSED AT 4:30 P.M. AND RECONVENED
OCTOBER 10, 1996, AT 9:00 A.M.)

THE CHAIRMAN: AT&T, you can call your witness.

MR. LOVALD: Call Pat Parker.

PATRICIA A. PARKER,
called as a witness, being first duly sworn,
was examined and testified as follows:

DIRECT EXAMINATION

BY MR. LOVALD:

Q. Would you state your name, please.

A. Patricia A. Parker.

Q. Have you prefiled testimony in this case?

A. Yes.

Q. Have you testified before the South Dakota Commission before, Pat?

A. Yes.

Q. Has your prefiled testimony been marked and identified as Exhibit No. 8?

A. Yes.

Q. If you were asked these same questions today, would you give the same answers as reflected in Exhibit

A. Yes.

MR. LOVALD: At this time, Mr. Chairman, I would offer Exhibit 8.

THE CHAIRMAN: Any objections? It's admitted.

Q. Pat, do you have any additions or corrections to make to the testimony?

A. No.

Q. I have one question for clarification. On page 7 of your testimony in reference to the question starting at line 7, you discuss a depreciation adjustment made by U S West; is that correct?

A. Yes.

Q. Is that the adjustment that was referred to yesterday as represeted depreciation?

A. Yes.

Q. Did that adjustment add approximately 7.4 million dollars into the total U S West revenue requirement?

A. Yes.

Q. If the increase is requested by U S West and switched access is granted according to the South Dakota Commission Rules, will the fully-allocated portion of that depreciation adjustment be allocated to the interexchange carriers through switched access?

A. Yes.

Q. Could you refer to Exhibit 15? Do you have that in front of you, Pat?

A. Yes, I do.

Q. Would you agree this is the Commission's Order approving the stipulations in Docket 94-121?

A. Yes.

Q. Would you refer to Commission Finding of Fact #12?

A. I have it.

Q. In your opinion, if the access rate increases requested by U S West are granted, will that allocation of accelerated depreciation be consistent with Commission finding 12?

MR. HEASTON: Objection. He's laid no foundation that she has any expertise in that area.

THE CHAIRMAN: Where are you going with this, John? Do you want to lay more foundation?

MR. LOVALD: Sure.

Q. Pat, did you participate at all in Docket

A. Yes, I did.

Q. Did you testify as a witness?

A. Yes, I did.

Q. Commission Finding 12 in that exhibit states

1 a significant portion of the increased capital recovery
2 (depreciation) will be expensed with no corresponding
3 reimbursement by U S West customers. Does this
4 finding, in your opinion, and based upon your
5 participation in that docket, refer to the use of
6 accelerated depreciation?

7 A. Yes.

8 Q. Did you review all of the U S West depreciation
9 submitted in response to the data request and according
10 to filing with this Commission that was used to
11 calculate the switched access rate increases?

12 A. Yes.

13 Q. And that included their work papers related
14 to accelerated depreciation?

15 A. It included the lives, yes.

16 Q. And I'm just going to end it by asking you
17 this question: If cost increases are granted, do you
18 agree under the Rules that the full portion that U S
19 West can otherwise attribute to switched access under
20 the South Dakota switched access rules will have been
21 allocated to the interexchange carriers?

22 A. Using the presubscribed lives and the
23 allocation, yes, they will be a portion of that
24 allocated to the IXC customers.

25 Q. I think this was asked and answered by U S

West yesterday, but I'll ask you again.
switched access customer of U S West?

A. Yes, we are.

Q. Pat, would you summarize your
testimony?

A. Certainly.

COMMISSIONER SCHOENFELDER: Will you pull the
microphone closer to you, please? I'm having trouble hearing
you up here.

A. The purpose of my testimony in this docket is
to explain AT&T's concern with the price increase of
the switched access unit price. I address, or I
attempt to address some of the concerns I have with the
cost study. And I also address what AT&T believes is
harmful to the consumers of South Dakota, both the
interexchange carriers and the end user residential and
business consumers in that I recommend that this filing
or cost study be rejected or, alternatively, delayed
until access reform can be addressed at the federal
level. And I also recommend that there be immediate
elimination of the CCLC, carrier common line charge and
the residual interconnection charge.

Q. Does that complete your summary, Pat?

A. Yes.

MR. LOVALD: I'd tender for

1 cross-examination.

2 THE CHAIRMAN: Cross-examination. U S West

3 MR. HEASTON: Thank you.

4 CROSS-EXAMINATION

5 BY MR. HEASTON:

6 Q. Good morning, Mr. Parker. I assume that in
7 preparing for your testimony in this case you did
8 review the rules concerning switched accounts which the
9 South Dakota Commission has set out in 20:10:27 and
10 through 20:10:29?

11 A. I have reviewed these rules.

12 Q. Did you review these rules in preparing your
13 testimony here today?

14 A. In general, yes. Not every rule.

15 Q. So you feel you are familiar with those
16 rules?

17 A. I'm generally familiar.

18 Q. It's also my understanding that there is also
19 true that AT&T asked permission from the Commission to
20 do a discovery and did do so -- provide
21 interrogatories to U S West for information for you to
22 prepare your testimony?

23 A. Yes, we served some discovery.

24 Q. And it's also my understanding that as you
25 understood that as you served to me a couple of

1 weeks ago that you and Mr. Culp had arranged for him to
2 provide the information that you were satisfied with
3 that?

4 A. We had a discussion on how we could get the
5 data to Denver, and we discussed generally some of the
6 data that would not be provided. And based on the
7 information that I received, we had no subsequent
8 conversation about the data. But I did receive data.

9 Q. Okay. Did you receive the data that -- were
10 you satisfied with the data that you received?

11 A. Generally. In some instances I thought the
12 work papers were confusing. But given the time frame,
13 I did not have time to go back and ask subsequent data
14 requests or to give Mr. Culp a call. So in some cases
15 I had to leave some of the data alone. But in general,
16 U S West was, I consider, responsive.

17 Q. Did you obtain a copy of the Commission's
18 cost model in this case?

19 A. No, I did not.

20 Q. So you have not run the model?

21 A. No.

22 Q. So I assume, then, that when you looked at
23 pages approximately 4 through 8 or 9 of your testimony
24 where you discuss some of the problems with the cost
25 study, you won't be able to quantify those problems for

1 the Commission as to what effect those would have on
2 the rate?

3 A. No.

4 Q. On page 3 of your testimony, Mr. Parker,
5 lines 4 and 5, and actually 6 and 7?

6 A. Yes.

7 Q. Are you aware that for U S West the
8 originating and terminating CCLC is the same?

9 A. Based on the work papers that U S West has
10 given me, and I can check, but I was pretty sure they
11 were different.

12 Q. You've testified in the 121 docket?

13 A. Yes, I did.

14 Q. Did you testify in the 100 docket?

15 A. Can you --

16 Q. Well, 93-108, which preceded the 121 docket,
17 was our switched access, U S West approval of the
18 switched access docket?

19 MR. LOVALD: Your Honor, I'm going to
20 object. I don't believe there was even a hearing. The
21 witness testimony was solicited in that docket.

22 THE CHAIRMAN: Overruled. The witness has
23 indicated, I believe -- did you indicate that you were
24 a part of that docket you testified in?

25 A. Is it the last docket, this year's docket?

Q. No. It's 1993, actually 1994. Which was the 3 cent rate and had a stipulation in it.

A. I did not participate. From what I understand, there was a cost study submitted but the parties really didn't go through the cost study because at the time U S West assured the interexchange carriers that they couldn't increase the rate. So there wasn't really a long discussion or analysis about the cost study.

Q. Have you ever read the switched access tariffs of U S West?

A. Yes.

Q. And if the tariffs revealed that the originating and terminating CCLC is the same, you would believe that to be the case?

A. Yes, I would.

Q. Do you know what the intrastate minutes of use are for AT&T in South Dakota?

A. I do have that data. I don't know right offhand. U S West does have that data, though.

Q. Do you have something here that you could refer to that would give us that data?

A. No, I don't.

Q. Would you be willing to file a late-filed exhibit that contains that data?

1 A. Certainly.

2 MR. HEASTON: For purposes of record keeping
3 I think the next one is Exhibit 22.

4 THE CHAIRMAN: That will be admitted.

5 Q. Do you know what the interstate minutes of
6 use are for South Dakota?

7 A. No, I don't.

8 Q. Can you also get that information?

9 A. I believe, yes, with the help of U S West we
10 can.

11 Q. Would you be willing to submit it and to add
12 this to Exhibit 23?

13 A. Yes, if U S West will help.

14 THE CHAIRMAN: We'll add that.

15 Q. Do you happen to know what the long distance
16 station service charges are in South Dakota for AT&T's
17 intrastate message telecommunication service?

18 A. No, I don't. I'm not involved in any of
19 AT&T's pricing of its services.

20 MR. HEASTON: Mr. Chairman, I'd like the
21 Commission to take judicial notice of a Message
22 Telecommunications Rate List, AT&T Communications of
23 the Midwest, Inc. It's the second revised page 2 version
24 of South Dakota issued August 16th, 1996, effective
25 August 19, 1996, which I yesterday got out of the file

1 list on file with this Commission in its offices and
2 take official notice of that and have it marked as
3 Exhibit 24.

4 THE CHAIRMAN: Any objections? That will be
5 admitted.

6 MR. HOSECK: Could you go over those pages?

7 COMMISSIONER SCHOENFELDER: It's out of the
8 South Dakota tariff filed with this Commission

9 MR. HEASTON: It's filed with this
10 Commission.

11 MR. LOVALD: In connection with Mr. Heaston's
12 request, Mr. Chairman, we would request the Commission
13 take official notice of the AT&T filed tariff.

14 THE CHAIRMAN: We can do that.

15 Q. I also take it that since you did not use the
16 model that you -- I think I asked this before, but just
17 to make sure -- that you cannot tell us what your
18 inputs in doing the cost model the way you would want
19 to do it, what kind of price that model would output as
20 a result of that?

21 A. My primary concern is not necessarily with
22 the output, but primarily concerned with the input.
23 The data seemed greatly inconsistent, so I didn't know
24 what the appropriate data that should be used. So I
25 merely did a great deal of comparing contrast, if you

will.

Q. So the answer to my question is no, you don't know?

A. No, I do not.

MR. HEASTON: That's all I have.

THE CHAIRMAN: All right?

CROSS-EXAMINATION

BY MS. CREMER:

Q. Good morning, Mr. Parker. Do you know what depreciable life AT&T is using for its analog switches?

A. No, I do not. I don't even know if we have any analog switches.

Q. Then do you know what the proper depreciable life for U S West Aberdeen analog switch would be?

A. No, I don't.

Q. Do you know when the last time this Commission approved a change in U S West depreciation rate prior to Docket TC94-1?

A. No, I do not.

Q. You were a witness in 121; is that correct?

A. Yes, I was.

Q. And what adjustments did you propose for depreciation in that docket?

A. Actually we didn't propose any because at that time we viewed that more as a function of the local

1 setting of local prices -- determining whether or not
2 what services would fall under the alternative form of
3 regulation. I did not -- I mean from a costing
4 standpoint, the lives used for accounting purposes
5 versus economic are different. And to give you an
6 example, copper in some cases, especially with new
7 technology today, that the copper life can be
8 extended. So we never really addressed that, nor did
9 we feel it at that point in time a concern simply
10 because it was more of a local type price docket, if
11 you will.

12 Q. Okay. On page 11, lines 11 and 12 of your
13 testimony -- are you there?

14 A. Yes, I am.

15 Q. You state that S West does not include
16 other pro forma adjustments from that docket. And
17 you're speaking of the 4-121 docket. I assume.
18 Which adjustments from that docket don't appear in the 6.15
19 rate?

20 A. What I was referring to the extent that you
21 use the depreciation losses in this docket, that there
22 were other revenue increases out of the other docket.
23 None of the revenues that I saw, specifically the
24 adjustments for the increase in revenues and changes in
25 local, none of those were a part of this filing. So to

1 the extent that they used the new lives in this docket.
2 and AT&T did not agree with -- or did not support the
3 stipulation for the last docket, we feel that we should
4 have an opportunity to determine what the proper lives
5 for the investment associated with switched access.

6 Q. Which adjustments would you include in the
7 rate and what methodology would you use?

8 A. Basically, I think we'd need to investigate
9 the depreciation lives and look at them from a
10 different perspective, perhaps given there is no
11 technology that is coming on board that could extend
12 some of the lives. Some of the lives may be quite
13 appropriate. It's just that we didn't have an
14 opportunity to review them, and we didn't believe that
15 in the case of switched access that U S West should be
16 able to just unilaterally decide what lives to use. I
17 think that we should have an opportunity, IXC, being
18 the customer, have an opportunity to review those lives
19 and make comments on them and bring in experts to look
20 at specific items, copper being one of them.

21 Q. Haven't you had since -- I'm trying to
22 remember when this case was -- March of '96 to ask for
23 that info? We're talking six months later.

24 A. Is that from --

25 MR. LOVALD: Your Honor, I'm going to

1 object. We're also talking about two separate
2 dockets. I believe the docket that Miss Cremer is
3 referring to was the request was voluntarily withdrawn
4 by U S West this last summer. It's not a continuous
5 docket.

6 THE CHAIRMAN: It's overruled simply because
7 this is a common thread to all those cases. Go ahead
8 and proceed.

9 Q. My question simply was -- you didn't have the
10 time. But I guess my question is why not? In
11 actuality, if you want to look back to 94-121, you can
12 look back that far. But even giving you the benefit of
13 the doubt, let's start with March of '96, where is it
14 you were lacking the time?

15 A. I think probably from a discovery standpoint
16 in this case we did write discovery and it did get
17 served. The turnaround time was very short. And those
18 -- I mean to the extent that you wanted to dig into
19 the numbers even more, I don't think it was physically
20 possible to do that. Nonetheless, we do not believe
21 that the lives used in this study are appropriate for
22 determining the costs of switched access.

23 Q. Which lives?

24 A. Basically I would probably say copper.
25 There's probably some other areas we want to

1 investigate.

2 Q. Okay. So I'm asking you which ones?

3 A. I'd have to have the schedule before me. And
4 the only one I can remember is probably the copper,
5 nonmetallic.

6 Q. Let me ask you this, Miss Parker. What's the
7 rate that I think you stated earlier, I believe, in
8 your -- on direct that you had concerns with the cost
9 study. So my question to you is did you determine a
10 rate that would satisfy your concerns and what's that
11 number?

12 A. I did not determine a rate. I think we
13 should have the opportunity to bring in the experts,
14 and we did not have the time frame in which to do it.

15 MS. CREMER: That's all I have.

16 THE CHAIRMAN: Sprint, Mr. Tieszen?

17 CROSS-EXAMINATION

18 BY MR. TIESZEN:

19 Q. Miss Parker, my name is Dick Tieszen. I
20 asked a question of Mr. Culp yesterday that I think I'd
21 like to pose to you. I asked him how he felt that the
22 consumer would be served or benefitted if this rate
23 increase were granted to U S West. And I think his
24 response was something to the effect that if it was not
25 granted, he was concerned that there would be higher

1 access or higher residential rates. Do you agree with
2 that?

3 A. No, not necessarily. And I base it on
4 probably about three basic reasons.

5 Q. What are those?

6 A. The first reason is based on my participation
7 in the A-4 case, and at that point in time U S West
8 filed what they call -- has been commonly referred to
9 as an ADSRC cost study. And the approved \$19.00, plus
10 the interstate \$3.50, if you add that together on a
11 statewide average, it covered those ADSRC costs. Those
12 are a version of what U S West would call TK LRIC cost
13 study.

14 Second, U S West has argued in our
15 jurisdictions that it is basic business services that
16 subsidize residential, not access, not toll, not
17 CLASS.

18 Third, I think it is important to remember
19 that even if you have one service below cost and you
20 have 20 services above cost, there's no proof of which
21 service really subsidizes that particular service. So
22 to the extent that U S West says it will soften the
23 blow to residential -- or soften the impact, increase
24 to residential service, I don't believe that one can
25 specifically point to switched access or any other

service. Nor do I know and I think that the primary premise is their proper cost studies haven't been done to show whether or not residential service is below cost.

Q. Have you done any of the calculations, or at least for AT&T, as to what this switched access increase or rate increase would mean in percentage to AT&T?

A. I have that but I didn't bring it with me. I can tell you from a unit cost standpoint where this access change would result. And the comparison that I completed was a comparison between all of the RBOC's in about 44 jurisdictions. The best in CLASS rate is about a penny three. The worst in CLASS is U S West Northern Idaho and that's about 7 cents a minute. Currently the South Dakota rate is 15 from the lowest rate, so it is relatively very -- it's approaching very good benchmark. If you move it up to 6.7 it puts it second worst in CLASS in the nation. If you move it down to 6.1, it puts it number three.

So from a unit cost standpoint, South Dakota would be going from a very, what I consider a very good rate, to one of the worst in the nation.

Q. I'm new at this so I want to make sure I understood. If this rate increase were granted, are

1 you saying that that rate in unit cost would be the
2 second highest in the nation?

3 A. In the RBOC's territories it would be.

4 MR. TIESZEN: Thank you.

5 THE CHAIRMAN: Mr. Gerdes, MCI?

6 CROSS-EXAMINATION

7 BY MR. GERDES:

8 Q. Good morning, Miss Parker. Yesterday I
9 understood, I believe, it was Mr. Culp to suggest in
10 response to questions that I posed to him, that it's an
11 access rate case and therefore the costing requirements
12 of the Federal Act do not apply to it.

13 You have stated in your testimony that the
14 fully-distributed cost pricing in South Dakota is not
15 consistent with the cost base philosophy of the Federal
16 Act. And my question to you is this: What is your
17 response to Mr. Culp, who seeks to distinguish access
18 rates from the type of costs that he says the Federal
19 Act applies to?

20 A. I think it's the Federal Act talks about cost
21 base pricing. And if you look at the components of the
22 network there in some cases the service has used the
23 same network element cost based. Like, for instance,
24 this 6.1 or 6.7 is really what I would consider a price
25 ceiling. It is not a cost floor. And under -- I mean

clearly I believe the current rate of 3 cents is above the cost floor. And the cost floor does include things like rate of return and appropriate direct costs. What is troubling to me is that most of this data came from -- or the primary data came from the books of the company, or ARMIS, and that data hasn't been fully scrubbed. And I think to the extent that it was, you'd get a different number.

And I say that based on recently in Washington, U S West requested, I think, a rate increase of about 200 million dollars. And by the time everything was done, it was ordered for a rate decrease of about 900 million. So I think, you know, you're dealing with reported numbers and they haven't had -- haven't been totally scrubbed, and I think you'd find something different.

Q. When you say scrubbed, are you talking about bundling, or what do you mean by that?

A. Basically doing an audit and determining whether or not whatever the numbers are, the expenses or investment, if they are beneficial to the South Dakota consumer.

Q. Just so I'm understanding, or just so I understand we got the point I was trying to ask you about anyway, if you compare the fully-distributed cost

methodology now on South Dakota's books, as I understand it, at least, that's not, in your opinion, consistent with the TELRIC costing that you say is contemplated by the Federal Act; is that right?

A. Well, the TELRIC costing procedure was something the FCC discussed in its Order. And that, in part, is to implement the Federal Act.

Q. And how do South Dakota rules compare with that or stack up with it is my question?

A. Well, I think simply because --

MR. HEASTON: I'm going to object. I don't know that Miss Parker is qualified to compare the TELRIC study with the cost of the South Dakota --

MR. LOVALD: I hate to do this, but I'm going to join in Mr. Heaston's objection. Basically what we are asking now are legal questions, and I don't think she is qualified to answer the legal questions.

THE CHAIRMAN: Do you purport to be an expert on legal opinions, Miss Parker?

A. No, sir.

THE CHAIRMAN: Objection is sustained.

MR. GERDES: No further questions, Your Honor.

THE CHAIRMAN: All right. Mr. Pfeifle?

MR. PFEIFLE: No questions.

THE CHAIRMAN: Mr. Hertz, is he gone?
Commission counsel?

MR. HOSECK: Yes.

CROSS-EXAMINATION

BY MR. HOSECK:

Q. Miss Parker, could you turn to page 7, line 17, of your prefiled testimony, please. And in that you make a reference to U S West's unaudited data as being highly questionable. As far as an audit is concerned, what are you referring to information that would have been put into the model that the rules have developed here in South Dakota?

A It would be the starting numbers into the model.

Q. And what would such an audit accomplish?

A. I think it probably could determine a great many things. It could probably determine whether or not affiliated interests, typically those are usually disallowed for rate making purposes -- there are a variety of things that when you go through a full-fledged audit that are either allowed or disallowed. And under that paradigm you need to do a great deal of digging. And I'm sure, you know, it's not a rate case type of analysis.

Q. On page 15, line 7 of your testimony --

excuse me, line 3, you're talking about U S West's proposal is contrary to statutes that prohibit monopoly revenues for competitive purposes. Could you explain your theory on that again, please?

A. Basically, to the extent that U S West is allowed to increase and gain those additional revenues, they could use those revenues for a variety of purposes. And one like we saw in the earlier case, they wanted to reduce their toll rates while raising the access rates. In other cases they could be using those revenues to fund other types of competitive ventures. So that's why that concern is raised.

Q. Have you seen any evidence of this occurring in this particular switched access case?

A. No, I cannot say I've seen evidence.

Q. With regard to inflation in minutes of use, are you aware of any direct correlation between the two?

A. Inflation in minutes of use?

Q. Yes.

A. No.

Q. Okay. In fact, if you had inflation being evident, isn't there a tendency toward lower minutes of use because of fewer available resources?

A. That could occur.

1 MR. HOSECK: I don't believe I have any
2 further questions. Thank you.

3 THE CHAIRMAN: Commissioners?

4 COMMISSIONER BURG: Yeah, I have a couple.
5 Earlier we were referring to page 7 of your testimony
6 concerning the pro forma physical adjustments for
7 depreciation. You indicate that the adjustment is not
8 appropriate and that the switched access cost to
9 interexchange carriers would be increased because of
10 that. Is that correct? Am I accurate in what I've
11 said?

12 A. That's correct.

13 COMMISSIONER BURG: Did you do any
14 calculation on how much that would affect the cost to
15 the interexchange carriers?

16 A. No.

17 COMMISSIONER BURG: By the inclusion of that
18 pro forma?

19 A. No, I do not. However, I do know it's
20 roughly 7.3 million dollars on a total basis.

21 COMMISSIONER BURG: But you didn't go farther
22 to say how that would affect that final cost for
23 switched access?

24 A. If it's -- I guess you could do a quick
25 calculation and probably it's an not an accurate

1 calculation. But if you would assume the allocated 25
2 percent, that's probably an understatement, but 25
3 percent of the seven million.

4 COMMISSIONER BURG: And then but I don't know
5 what that is as compared to the total figure, so I
6 don't know what effect it would have on the 6. --

7 A. And I haven't done that.

8 COMMISSIONER BURG: -- point one. And the
9 second one is you have questioned the methodology that
10 is being used now, or the model; is that correct?

11 A. No, I'm not questioning the actual model. I
12 understand the rules, and I understand the way the
13 model works. It's -- I'm questioning the primary
14 inputs.

15 COMMISSIONER BURG: But did you not also feel
16 that indicated you felt the methodology is outdated
17 under new rules?

18 A. If you assume the rules are the rules, then I
19 have no reason to question the way the model operates.
20 However, if you go to a different type of costing
21 standard or methodology, then this type of model would
22 not be used.

23 COMMISSIONER BURG: You have not anticipated
24 -- you have not developed a model you think would be
25 appropriate, though; is that correct?

1 A. No. I think that, you know, to the extent
2 there are a lot of models out there, that is a correct
3 model or estimate the costs for like a TSLRIC or
4 TELRIC. It's a question, again, once you get into the
5 modeling techniques, assumptions, the numbers, the
6 inputs, that type of thing, so that is all -- it is a
7 different type of standard. You go through the same
8 process as you go through in an FDC cost study and you
9 question the inputs, you question the assumptions and
10 see if they're reasonable.

11 COMMISSIONER BURG: The problem that I'm
12 having both your testimony and several others have
13 stated that they think the numbers are wrong and that
14 the methodology could be improved, but we haven't got
15 anything else to look at. How do we -- you know, how
16 are we supposed to anticipate what is the proper one if
17 all we got is a complaint but no examples of what would
18 be the right way?

19 A. I think for now I think it would recognizing
20 that this 6 cents a minute, or 6.7 is a price ceiling
21 and not the price or the cost floor. I would probably
22 in the interim use the existing rates until further
23 investigation. In other words, if you -- a lot of the
24 witnesses talked about phasing in. I'd start phasing
25 in at the existing rates and then start investigating

1 different types of modeling techniques, different types
2 of theories and things like that.

3 COMMISSIONER BURG: You operate in the entire
4 50 states; is that correct?

5 A. That's correct.

6 COMMISSIONER BURG: Do you know is there any
7 RBOC that there's been a kind of audited that you're
8 talking about conducted?

9 A. On costing models?

10 COMMISSIONER BURG: Yes, the kind of audit --
11 you know, you were questioning the numbers because they
12 aren't adequately audited. Is there any that does have
13 this kind of audit?

14 A. I think probably there's been several types
15 of audits done on like cost programs, also inputs. I
16 know that several jurisdictions right now are looking
17 at the U S West cost modeling techniques and
18 assumptions. Oregon clearly did an audit, a very long
19 detailed audit. I mean there were other
20 jurisdictions. Utah right now is looking at them. I
21 believe Iowa is also looking at the various types of
22 costing models available as well as the assumptions
23 used. So the results can vary. And I certainly can
24 provide additional information on that.

25 COMMISSIONER BURG: Okay. Thank you.

1 THE CHAIRMAN: AT&T was quite an active
2 proponent in approving the present rules, weren't they?

3 A. I believe we did participate, yes.

4 THE CHAIRMAN: And now you don't like them?

5 A. I think that some of these rules are ideal
6 for the smaller carriers. I think for the larger
7 carriers like U S West, it clearly has outlived its
8 useful life. And I think probably you're dealing with
9 for a large carrier like U S West, you want to estimate
10 the proper economic costs. I think probably these
11 rules for the smaller carriers could clearly be used
12 for a period much longer.

13 THE CHAIRMAN: Did you make this argument
14 when the rules were adopted?

15 A. No. But we did try to address that issue
16 when you opened the access docket this year.

17 THE CHAIRMAN: But the rules haven't been in
18 effect that long. I mean did you really make a real
19 effort to protest at that time?

20 A. I'm not sure. I was not involved in that
21 case. I know that it was a long process and a lot of
22 industry participants were involved in it. So I can't
23 speak firsthand on implementation of the rules. But I
24 think for U S West, these rules shouldn't apply any
25 more and that they should move more toward an economic

1 type analysis as opposed to fully embedded type
2 analysis, which is, you know, a Part 36, 69 procedure

3 THE CHAIRMAN: I think if I remember your
4 previous remarks, I think you alleged that U S West may
5 be cooking the books on some of these issues, or
6 something to that effect. But yet you show us nothing.
7 to follow up Commissioner Burg's question, about
8 depreciation studies or other costing elements in your
9 testimony. It's kind of nice to just throw a harpoon,
10 but what we need to do is to kind of take a look at
11 what backs that up if there are any specifics.

12 A. And if I left the impression that I think U S
13 West was cooking the books, that was clearly the wrong
14 impression. What I'm saying is that there was -- in
15 order to do a full audit, it takes almost what I would
16 call almost like a rate case procedure where you dig
17 into the individual numbers and things like that and
18 see whether or not they are something that you would
19 include for rate making purposes. That's all I'm
20 suggesting. And we didn't have enough time to do
21 that. And I agree with you in the sense that I have
22 not come up with a different rate. However, I view
23 this as a price ceiling and current prices, in my
24 opinion, are above the economic costs.

25 THE CHAIRMAN: In terms of time, as you

1 recall, you were with us in the other dockets that
2 involved this issue. And cost studies were a part of
3 that in determining switched access and for various
4 reasons they were withdrawn. And now we're here with
5 this present docket which was known since, I think
6 early July.

7 But in terms of dealing with the elements of
8 a cost study for switched access, surely you knew that
9 this would be an issue in this case. So, therefore, it
10 seems to me that you were satisfied at least with the
11 data responses that you got from U S West involving
12 this particular docket. But didn't don't you think you
13 had time to request and analyze a lot of the issues
14 which you say now that you didn't have time to do?

15 A. Well, I think probably the older docket, the
16 one this year, I think probably personally I was
17 stunned that U S West would ask for a price increase.
18 They don't ask for price increases in any other state
19 but this state. And I think from every other
20 jurisdiction U S West argues for a price decrease. And
21 one of the reasons they argue for the price decrease is
22 because the intrastate prices are so high. So we
23 completed that docket. Then we moved to this docket.
24 And I did do discovery, but by the time I got the data,
25 I didn't have enough time to turn around and ask for

1 additional discovery. And so you never know what you
2 get until you get the data.

3 THE CHAIRMAN: When did you get your
4 discovery material?

5 A. I think it was about a week before the
6 testimony was due. I know I worked on the testimony
7 over the weekend so it was about a week.

8 THE CHAIRMAN: In the previous dockets,
9 though, did you have enough time to analyze it?

10 A. Actually, I honestly don't remember if we
11 even looked at the cost study. We argued more from a
12 pricing standpoint.

13 THE CHAIRMAN: How do you get to a pricing
14 standpoint if you don't analyze the cost?

15 A. Well, the costs again are -- again, it's a
16 revenue requirement type cost. It's not what we feel
17 is appropriate for U J West, and that's an economic
18 type cost study. So to the extent that you're dealing
19 with a revenue requirement developed price ceiling, you
20 try to say, okay I, recognize that that's the price
21 ceiling, but what should really be the price based on
22 the cost floor.

23 THE CHAIRMAN: But we are dealing with
24 fully-distributed cost studies, aren't we?

25 A. Yes, and you're dealing with a revenue

1 requirement.

2 THE CHAIRMAN: And so you knew the rules.

3 A. Yes.

4 THE CHAIRMAN: But yet we don't have any
5 specifics in terms of what those rules really mean in
6 terms of the cost issue.

7 A. Well, I think probably relative to the cost
8 issue, I mean, if you accept the 6 cents a minute, that
9 that is a revenue requirement cost. I still think you
10 can go back to the basics and say we currently have
11 very good rates in South Dakota and there's no reason
12 at all to increase those rates because most indications
13 indicate that that rate, or the 3 cents a minute is
14 above the cost. And it makes sense to me to keep it
15 near what it is today because you do invite a lot of
16 many incentives to get around a price increase. And
17 one of those incentives is clearly arbitrage. I mean
18 if you were a company and you had a choice of spending
19 6 or 7 cents a minute for access, as opposed to 2.6
20 cents, I mean a company is going to go forward with the
21 lower cost. Or, likewise, there is areas where you
22 might relook at your network and reconfigure your
23 network to get around those high prices. So that's
24 basically it's just from a pricing standpoint.

25 THE CHAIRMAN: Well, of course we recognize

1 that the cheaper the access is the more advantageous it
 2 is for the interexchange carriers or the toll
 3 carriers. But -- and I know you referred to the new
 4 Act in your testimony, and there are lots of things
 5 going on there with new costing methodology and
 6 preemption of the states' jurisdiction on some of these
 7 issues. And so it certainly would be advantageous for
 8 interexchange carriers to have the lowest access
 9 rates. But doesn't revenue requirement mean anything
 10 in terms of preserving the local exchange companies as
 11 well?

12 A. I think inherent -- first, I'd like to
 13 comment I think also lower access rates benefit the
 14 consumer. I really do. In that it will invite more
 15 toll competition into the market. So lower access
 16 rates do benefit the consumer.

17 THE CHAIRMAN: Where is the highest access
 18 rates in the U S West territory as far as AT&T is
 19 concerned?

20 A. Northern Idaho.

21 THE CHAIRMAN: At 7 cents?

22 A. Seven cents.

23 THE CHAIRMAN: What's the next highest?

24 A. North Dakota, and that's been price capped.
 25 Next highest is Nebraska.

1 THE CHAIRMAN: What is North Dakota capped
2 at?

3 A. I think it's around 6.6.

4 THE CHAIRMAN: Is your rates the same in
5 North Dakota as they are here?

6 A. I don't know.

7 THE CHAIRMAN: Why wouldn't you know?

8 A. I don't deal with AT&T pricing.

9 THE CHAIRMAN: But if you're saying, though,
10 that if lower access rates are a benefit to the
11 consumers, you would think that there would be -- it
12 would attract an awful lot of carriers maybe in South
13 Dakota to take advantage of that than they would in
14 North Dakota. But my point is is AT&T's toll rate the
15 same here as it is in North Dakota?

16 A. And I don't know.

17 THE CHAIRMAN: Commissioner Schoenfelder.

18 COMMISSIONER SCHOENFELDER: Miss Parker, I
19 have a -- let me change the pace on you here a little
20 bit here. I have some questions about the carrier
21 common line charge, and you refer to that on page 10 of
22 your testimony. I think you refer to it in other
23 places. But in there you say that the carrier common
24 line is a subsidy mechanism. First, I want to know do
25 you include the subscriber line charge in that

1 argument?

2 A. No, I do not.

3 COMMISSIONER SCHOENFELDER: CHAIRMAN: Only
4 carrier common line portion, that's not the subscriber
5 line?

6 A. Yes.

7 COMMISSIONER SCHOENFELDER: Then why is it a
8 subsidy rather than a real cost? I guess I'd like your
9 version of that.

10 A. It deals with the theory of allocating the
11 Loop and not allocating the Loop. And if you believe
12 that the Loop shouldn't be -- the cost of the Loop
13 shouldn't be allocated and it's a stand-alone function
14 and the end users should pay for the Loop either
15 through its local rates or through the subscriber line
16 charge, and if that sum covers the costs, then the CCLC
17 is just a pure subsidy mechanism. There really is not
18 no direct cost.

19 In other words, if I have a phone and I never
20 used toll, I never include a CCLC, it's not a traffic
21 sensitive-type economic cost. I mean if I use a ton of
22 toll, I don't have more investment in the Loop. The
23 Loop investment is the Loop investment. It doesn't
24 vary whether or not you use toll or local. It's
25 just --

1 COMMISSIONER SCHOENFELDER: And I understand
2 that. But if we go one step further, then the
3 subscriber line charge is a subsidy also, is it not?

4 A. I think depending on how you price it could.
5 Or it could be an actually contribution. And I'll give
6 you an example. Let's suppose that the cost of the
7 Loop is -- and I'm going to use our numbers because I
8 can -- let's assume it's \$12.

9 COMMISSIONER SCHOENFELDER: Okay.

10 A. And let's say that you add some usage into it
11 and billing and collection. And the residential
12 service is, by the time you add in all the costs, let's
13 say it's \$13. Now, if a LEC were to charge \$16 and the
14 subscriber line charge, then you could say the
15 subscriber line charge is a contribution element to the
16 overheads of the firm. However, if you were to say at
17 the same time let's say the Loop is \$12, you unbundle
18 it and you purchase it and the LEC charges \$12 and the
19 subscriber line charge -- then the subscriber line
20 charge becomes a contribution element. So it depends
21 how you price it compared to the costs.

22 COMMISSIONER SCHOENFELDER: What if in this
23 case, or in any other case actually, even if in a
24 general rate case that the whole Loop was unbundled and
25 priced out to the carriers without any -- I don't know

1 the right terminology. Without the subscriber line
 2 charge, the carrier common line charge, or residual
 3 being left there, what if it were priced out on a cost
 4 or a usage basis, then that price could be passed on to
 5 the interexchange carrier and the interexchange carrier
 6 then could collect that from their customer. Would
 7 that help lower access rates?

8 A. Well, ideally, if all services are priced
 9 above cost, you should see access rates being lowered.
 10 And with the advent of local competition, the
 11 expectation is access has got to be reduced. So to the
 12 extent that you price the Loop at the cost of the loop,
 13 or at the cost, and taking in account the interstate
 14 subscriber line, I think you're going to see a lot of
 15 shifting prices that will be more reflective of the
 16 underlying cost. So I think the CCLC can be
 17 eliminated. I don't think -- I think you can de-link
 18 the elimination of the CCLC and the RIC from an
 19 increase in local rates. I think that can be done.
 20 And I have seen it done in some jurisdictions. So it's
 21 one of these that to correlate the CCLC and the RIC
 22 with the Loop and say if I lower this I have to raise
 23 that, I don't think that's necessarily true.

24 COMMISSIONER SCHOENFELDER: Thank you.

25 THE CHAIRMAN: I need one final question to

1 the remarks to the questions I was asking and that is
2 that I believe you said that lower access rates could
3 be a benefit to the consumer, but you're not sure that
4 they are simply because you don't know whether the
5 rates for AT&T are different in North Dakota than they
6 are here, where North Dakota has the second or third
7 highest in the RBOC territory.

8 A. Yes. And I apologize. I don't know the
9 difference in the rates. I can say based on what I've
10 seen from a historical standpoint. Divestiture of the
11 access rates are extremely high. And the FCC at that
12 point in time was very concerned about that. So they
13 started a series of rule makings, and at that point in
14 time around 1987, '88, they started to implement these
15 rules and the access rates dropped. At the same time
16 you saw carriers entering the market because the
17 barrier to entry was reduced. At divestiture the
18 access rates were just extremely high compared to what
19 they are today.

20 THE CHAIRMAN: Does AT&T have anybody here
21 today that knows what the average AT&T rates are in
22 North Dakota versus South Dakota?

23 A. No.

24 MR. HEASTON: Mr. Commissioner, I would be
25 willing to obtain the AT&T price schedule as filed in

1 North Dakota and file it with this Commission as a
2 late-filed exhibit.

3 THE CHAIRMAN: I would like to see that.
4 That would be exhibit admitted --

5 MR. HEASTON: It would be Exhibit 25.

6 THE CHAIRMAN: Okay. Any redirect?

7 MR. LOVALD: Yes, thank you.

8 REDIRECT EXAMINATION

9 BY MR. LOVALD:

10 Q. Miss Parker, you were asked a number of
11 questions about AT&T's ability to do discovery in this
12 docket, in the 028 docket, and I just want to take you
13 back and review some of the history and especially in
14 regard to the 028 docket. AT&T served a number --
15 substantial number of data requests in the 028 docket;
16 is that correct?

17 A. That's correct.

18 Q. And with, I think, the exception of one
19 question, do you recall that U S West refused to answer
20 every one of those?

21 MR. HEASTON: I don't know what the relevance
22 is. They were satisfied with the discovery in this
23 docket.

24 MR. LOVALD: But I think some of the staff
25 questions went back into the 028 docket and implied

1 that we had this massive information that had been
2 available to analyze, when in actuality under the
3 Commission's ruling we were denied our Motion to Compel
4 Production and all we ever received in 028 was the cost
5 to imputation study. And I just want the record to
6 reflect we weren't awash in this mass of information
7 that would allow us to really determine anything about
8 what U S West was proposing. And I guess now that I've
9 made this statement for the record, I'll drop the
10 question.

11 THE CHAIRMAN: I was going to say it saves me
12 the ruling from the chair.

13 Q. Pat, in terms of quantifying a rate
14 calculation based upon some of the criticisms that
15 you've made in your testimony, I believe you indicated
16 that you could apply a rough multiplier. And, granted,
17 I think you said it wouldn't be totally accurate. If
18 you were totally accurate you would have to -- let's
19 take depreciation criticism. The accelerated
20 depreciation number is 7.4 million; is that correct?

21 A. Roughly, yes.

22 Q. And you indicated that, you know, without
23 running the actual model, just for the purposes of our
24 discussion here today, you could apply a rough
25 multiplier of 25 percent against that and determine

1 what would go into the switched access revenue
2 requirement; is that correct?

3 A. Yes, and that's a very rough estimate

4 Q. If you did that, would you agree that the 25
5 percent that would go into switched access rate base
6 would be 1.8 million?

7 A. I guess so, yes.

8 Q. Would you also agree -- and, again, these are
9 rough numbers. If the request for increase to switched
10 access is roughly 6.1 cents -- and, again, this is just
11 an illustrative example -- and current switched access
12 is 3.4, and I realize I think the actual numbers are
13 6.15 and 3.14, but math works easier with 6.1 and 3.4.
14 If we use 6.1 and 3.4, the requested increase is 25
15 percent; is that correct, or 2.5 cents?

16 A. I guess if you've done the math, yes.

17 MR. HEASTON: Objection. I mean I wonder
18 who's testifying here. Can we get Mr. Lovald under
19 oath if he's going to do the math. I mean, obviously.
20 Miss Parker does not know the numbers.

21 THE CHAIRMAN: John, would you like to be
22 sworn in for a witness? Let's take five minutes here
23 while we're calculating here and allow the witness some
24 time to analyze.

25 (Short break taken at this time.)

1 THE CHAIRMAN: Let's go back on the record.
2 Mr. Lovald, you may continue.

3 MR. LOVALD: I have no further questions.

4 THE CHAIRMAN: I have a couple of questions
5 just on follow-up of what I was previously asking you.
6 I believe on cross-examination by U S West you
7 responded that you thought you were satisfied with the
8 data responses in this docket.

9 A. I think I was very satisfied with the way U S
10 West responded in a timely fashion. A lot of the work
11 papers I could not use, and there were some work papers
12 that didn't explain exactly what the data meant. One
13 was something to do with quality improvement process
14 costs or something like that. In other words, U S West
15 was very -- in my opinion, very cooperative of trying
16 to get me the data as soon as possible given the time
17 frames, but there were other types of data that you
18 couldn't exactly replicate.

19 One case in point I was thinking of was some
20 of the sale of adjustment, sale of exchange
21 adjustments. They were kind of summary level. They
22 weren't really detailed level. But I think they were
23 very, very cooperative in trying, given the deadline on
24 discovery, in trying to get it to me as soon as
25 possible.

1 THE CHAIRMAN: Did you ever suggest to your
2 counsel to file a Motion for Delay of this hearing
3 pending further investigation of data requests?

4 A. I never thought about it, no, I did not.

5 THE CHAIRMAN: Why not? You knew you were
6 incomplete with your data or analysis of that
7 Wouldn't that have occurred to you to ask your counsel
8 to file a motion?

9 A. No.

10 THE CHAIRMAN: One other question: I don't
11 know if you want to indulge in it or not. But I think
12 the topic has been discussed here over the last day or
13 two about there are no other switched access providers
14 in South Dakota other than our small companies and U S
15 West. And I think Staff Witness Rislov brought up an
16 interesting point, and that is with access rates so
17 low, this does not attract competition for switched
18 access providers.

19 But didn't it occur to you in your expertise
20 that if access rates were a little higher, it might
21 attract switched access providers? And why doesn't
22 AT&T consider this? You certainly have the resources.

23 A. I think one of the reasons we're trying to
24 set the price based on the economic costs is to
25 discourage. If you price it too high, you may get

1 carriers in there that are not as efficient as the
2 existing carrier. If you price it too low, I agree,
3 you will not get any carriers in the marketplace. But
4 at 3 cents a minute, compared to what is published data
5 relative to the cost providing or that half cent,
6 there's plenty of margin in between the 3 cents a
7 minute and the half cent.

8 But I think you run the risk if you set the
9 rate too high, what you will do is damage the companies
10 -- some of the companies from a financial standpoint
11 in the state of South Dakota and they'll have to leave
12 the market or move on to a different state. So I don't
13 think you want to run the risk of trying to attract
14 local competition at the expense of toll competition.
15 I think there has to be a balance.

16 THE CHAIRMAN: Why doesn't AT&T consider
17 becoming a switched access provider in South Dakota?

18 A. I don't know.

19 THE CHAIRMAN: There's plenty of margin
20 apparently.

21 A. I can honestly tell you I don't know what
22 AT&T's plan plans are for South Dakota because that is
23 a part of a group that I am not associated with. I'm
24 sure they're looking at a variety of options on how to
25 enter the market in South Dakota. I just don't know

1 their plans.

2 THE CHAIRMAN: For competition in a local
3 exchange market, wouldn't it make sense to attract
4 switched access providers as competitors?

5 A. Yes, I do believe that is true. But I still
6 think you also have to foster the end user competition,
7 that being the IXC market too.

8 THE CHAIRMAN: Well, I'm sure that is a
9 factor. But as you say, a balance, but we certainly
10 have hundreds and hundreds of interexchange carriers
11 both in the inter and intrastate market in South Dakota
12 but we have very few switched access providers.

13 A. And I think that's probably a function of
14 timing. In order to provide switched access you have
15 to have the right terms, conditions, and prices for
16 interconnection clearly. And this is a relatively new
17 area. And I mean the industry right now is going
18 through that process. But it's hard to be a switched
19 access provider without the proper interconnection.

20 THE CHAIRMAN: Well, or the facilities
21 based --

22 A. That's true.

23 THE CHAIRMAN: -- provider. I mean if you
24 want to provide switched access, you should have a
25 facilities based equipment network, wouldn't you?

1 A. Yes. And I think to say how come no one has
2 done it in the past, well, it's clearly that there
3 hasn't been a concerted effort to develop the right
4 terms, conditions, and prices to allow that to happen.

5 And you also have, you know, to deal with
6 where are the interconnection points? What is
7 appropriate for those interconnection points? And I
8 think that is all currently being discussed in a lot of
9 states and at the federal level. I think once those
10 rules have settled down, I think you'll see something a
11 shift and you'll see people looking at the South Dakota
12 market. But right now there's nothing. I mean if you
13 put a switch in, interconnection would be slim to none
14 because there's not any interconnection in South
15 Dakota.

16 THE CHAIRMAN: Unless you built a tandem
17 network?

18 A. Yes, correct.

19 THE CHAIRMAN: And that's costly?

20 A. That's toll network, right?

21 THE CHAIRMAN: Uh-huh.

22 A. Okay.

23 THE CHAIRMAN: And network infrastructure.
24 Anyway, that's been a nice conversation, probably
25 meaningless. Any recross? Staff?

MS. CREMER: I have a question

REXCROSS-EXAMINATION

BY MS. CREMER:

Q. What would be the effect on the access rate if the depreciation adjustment were removed?

A. Roughly a penny. I could get more specific if I had some time to try to recalculate it.

THE CHAIRMAN: Any other recross? If not, thank you, Miss Parker. Any rebuttal witnesses?

MR. HEASTON: Yes, Mr. Chairman. We would call Wayne Culp to the stand.

WAYNE CULP,

called as a witness, being previously sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. HEASTON:

Q. Mr. Culp, are you the same Mr. Culp that testified earlier in this case?

A. Yes, sir.

Q. Have you been reminded you are still under oath?

A. Yes, the Court Reporter did that.

Q. In front of you is what has been marked as Exhibit 26 in this case.

A. Yes, I have it.

Q. Does she have a sticker on that? Could you identify that document, please?

A. This is a document that we put together over the lunch hour yesterday. The research behind it wasn't done over the lunch hour, but we put this together in rebuttal of Miss Parker's testimony and just to go down statement by statement to quantify what she calls her flaws in our study.

Q. And when you say we, who do you mean?

A. Well, the U S West contingents that's here: Barbara Wilcox helped me, Jim Phillips and you, counselor.

Q. Okay. I don't want to go through all of this, the exhibit. Explain how you did this. Let's put it this way: What the columns mean and what you've done.

A. Okay. If you take the page numbers, the first column, those are the page numbers in Miss Parker's testimony, and the second column are the line numbers. It states the argument, and the statement is a short synopsis of what her point was. And then our rebuttal is in a simple statement of what is the rebuttal to that.

MR. HEASTON: I would offer Exhibit 26.

THE CHAIRMAN: Objection? It's admitted.

1 Q. I'm not going to go through all these, Mr.
2 Culp, but --

3 MR. LOVALD: Your Honor, I would like to
4 object to the exhibit on the basis of foundation. It's
5 basically testimony. It's testimony that this witness
6 isn't even being asked to give from the witness stand.
7 And if he's going to testify, fine. If he's not, I
8 don't think it's an appropriate exhibit.

9 THE CHAIRMAN: He is called as a rebuttal
10 witness, and I see the exhibit as rebuttal, so
11 therefore the objection is overruled and it is
12 admitted.

13 Q. Mr. Culp, on page 5 there was a statement
14 that the rate of return exceeds the 9.7 percent which
15 was previously agreed to by the parties. Where was
16 that previous agreement of 9.7 percent? Where does
17 that stem from?

18 A. It's one -- it was -- I believe it was either
19 the 121 docket or the -- I believe it was the 121
20 docket.

21 Q. Okay. And did you review -- and in your
22 testimony yesterday you agreed to on behalf of U S West
23 to abide by the Commission's view of the world?

24 A. The staff view, yes.

25 Q. Commission staff's view. And when you do

1 that, what is the resulting rate of return?

2 A. The rate of return that the staff calculated
3 was 9.619 percent, which was less than the 9.7 percent
4 rate of return that Miss Parker referred to.

5 Q. Okay. And then on pages -- the next 3
6 entries which deal with pages 5 and 6, Miss Parker
7 complained about data adjustment and revision of
8 studies and adjusting of traffic separations data.
9 When you reviewed those, what was your -- what did your
10 analysis show?

11 A. I hope you don't mind if I take here a minute
12 or two to set this up. The first on part 64, she was
13 criticizing that we made no part 64. This is the FCC
14 dereg amount for the sale of exchanges. Okay. When
15 you look at the inputs to the cost model, there's the
16 revenue requirement contains basically three elements.
17 It contains expenses, it contains a return on
18 investment, and then which ends up being the profit,
19 and there's a tax liability due to that, so there's
20 income taxes for that tax liability. So there's three
21 basic inputs of the model, and you can see that right
22 on Sheet A if you need to do that.

23 When we put together the test period, all the
24 55 exchanges were included in those expenses and
25 investment. Now, when we make the sale of exchange

1 adjustment, that is going to be a reduction to those
2 costs. So a reduction to the expenses and reduction to
3 the investments. Now, this is a negative adjustment.
4 So by taking out the part 64 costs for the sale of
5 exchanges, that would make the reduction smaller so
6 we'd have a small reduction to the cost.

7 So we, as a company, in all our analysis and
8 all our sales analysis, we knew that was the type of
9 impact. It was minimal. We didn't contain it. Here
10 it actually raised the revenue requirement if we would
11 have made that adjustment. So we took a conservative
12 approach, and we didn't make the adjustment. By the
13 way, that was in our interrogatory response to AT&T I
14 stated that, and over the phone I stated that to Miss
15 Parker.

16 Q. Okay. What about the next two on page 6?

17 A. The next two she criticized the use of the
18 adjustments for -- the sales adjustment for special
19 studies and also for some of the traffic factors. And
20 so after I received this testimony on Saturday morning,
21 I looked at that and I said, you know, the stuff is
22 really, really small. And she didn't quantify it, so I
23 went to quantify and I made some -- I basically what I
24 did is I tried to curb a worst case situation and there
25 were -- there are several of the adjustments like the

1 tandem. Nothing changed in our tandems because of the
2 sale.

3 The same feature Group C trunks are up after
4 the sale that were up before the sale so I didn't make
5 an adjustment to that. But all the miscellaneous
6 factors on Sheet G, I just went and assigned them all
7 to interstate and other, meaning it was not part of
8 switched access. I just let them go straight to
9 other. I have said what's that going to calculate. It
10 puts a bound on it. That's not my position. My
11 position is the 6.15 is my number. Put the bounds on
12 it, we take it from 6.15 down to 5.897 cents. Okay.
13 We're talking about two-tenths of a cent basically to
14 implement all of those.

15 Q. Well, you're referring to page 6, then, her
16 testimony between lines 3 and 16. And except for the
17 tandem -- or what did you include in that analysis?

18 A. Do you want to go line by line what I
19 included? Actually, what I did is I went to working
20 loops. I started with working loops, and this is a
21 little more detailed. But working loops are input on
22 Sheet V. And what working loops do is that it
23 identifies our plan. It's used to separate out
24 basically what's private line so that private line
25 expenses and interconnect are not included in the cost

1 study.

2 Now, I don't know how many private lines
3 there are with sale of exchanges. But the way to
4 minimize the effect on this to get the worst case is to
5 just take the number of access lines for the sale of
6 exchanges and subtract it from the joint used working
7 lines. And so I did that and so I assumed all the
8 private lines were still there. So I'm taking out more
9 cost on the private line side than actually ended up.

10 And so I subtracted out the 43,000 access
11 lines from working loops, interstate circuit
12 connections, and interstate circuit terminations.
13 Again, very little change there because not much is
14 happening because of the sale of exchange. But to stay
15 conservative, we basically sold 15 percent of our
16 access lines. So I says I'll take away 15 percent of
17 the MTS portion of that, leaving the private line
18 alone, just taking away the MTS portion of that.

19 I also went to the host remote study and on
20 Monday morning I came in and in the office and I says
21 what is the most current host remote? We use the host
22 remote that study in our original study that was in for
23 the year. I says what is the most current one? We
24 implemented one in July, and so I said what was it. I
25 put it in. It actually increased the amount of access

1 by very slight amount, had very little effect.

2 Current billings, I went to current billings
3 and I says, okay, current billings should look at a
4 total here, but tell me what was July 1, the month
5 after the sale. And so they gave me the current
6 billings for July. I implemented those separation
7 factors. Then I took every single one from Sheet C, 35
8 through 46. I took every one of those factors, and I
9 put 100 percent of the cost in interstate and other,
10 and I put zero in the MTS, which ends up being in the
11 switched access rates.

12 Q. Okay. And then moving on to the next one
13 with the DEM and the SLU data, which is SLU.

14 A. When you look at the actual data that goes
15 into a traffic separations study for DEM and SLU,
16 you're not looking at 365-day data. This goes back
17 years and years and years. You use sample data. And
18 what you're using, you're using the seven days, seven
19 days a week, 12 months of the year. So you're looking
20 at 84 days of the year's worth of data. And she asked
21 for the backup and that's what the backup showed.

22 Now, when the adjustment was made for the
23 sale -- and Cindy Crawford in my group, when she put
24 this together, I says, you can take a pick. You can
25 gross up all your numbers to 365 days, or you can take

1 the sales data and move it down to the 34 divided by
2 365 but you have to match them. And that's what she
3 did, and that's the reason the data may look suspect.
4 But it follows very much the normal Part 36 methods
5 that we would file with the NCC and all the data that's
6 always reviewed there and everything else.

7 Q. Okay. Let's go to page 7 of her testimony.
8 And if you can, just summarize this, please, as to what
9 appears in lines 1 through 3 and 4 through 6.

10 A. Okay. Number 1 revenues are not relevant to
11 the study. Remember, I said that investments plus
12 return on investment plus taxes are the -- are how you
13 develop the revenue requirement. Then you take the
14 revenue requirement and divide it by minutes of use.
15 The fact that whatever revenues, those sale of exchange
16 -- those 55 exchanges had does not affect the study.
17 The minutes of use do, but the revenues don't.

18 The actual sale took place on July 22nd. I
19 mean, excuse me, on June 22nd, 1996. Our study, the
20 day we mailed it to the Commission, was June 19th. We
21 had a requirement in the rules to have this study done
22 within six months of the test period, so we had to get
23 it in before the end of June. So if had estimated data
24 for the 55 exchanges, no question about it. On our
25 books at the end of June we booked the sale.

1 And, by the way, the books had estimated
2 investment data for the sale. We ended up trying it up
3 a month later on the books after our asset people go
4 through and work through all of the -- what actually
5 was transferred to the buyers and investment of the net
6 plat number changed by \$7,000. As far as I'm
7 concerned, that's right on. We don't always do that
8 good in this business.

9 Actual minute of use data was used. Barbara
10 Wilcox can speak to that in more detail. But actual
11 minute of data use was used concerning her allegations
12 on access charges and billing and collections. All you
13 need to do is read the rules and look at the study. If
14 you read Chapter 28, Rule 100, and Chapter 29, 36,
15 access expense is 100 percent assigned to the other
16 category and none of it is assigned to switched
17 access. It's in the rules. It's a way every company
18 that uses these rules in this state should apply it.
19 It's not in there.

20 The same thing with billing and collections.
21 If you read Chapter 29, Rule 3, billing and collection
22 expenses are excluded from switched access. There are
23 only three elements that are included in switched
24 access in these first couple rules of 29. They are the
25 carrier common line, they are the local switches, and

1 they are the transport charge. No other charges should
2 be included.

3 Q. Okay. Let's get to the depreciation issue
4 here. Explain to the -- let's put it this way: Did
5 U S West arbitrarily shorten its depreciation lives?

6 A. Not arbitrarily. We had study and data, and
7 I mean it was lots of data.

8 Q. And why did you use the lives that you used?

9 A. I used the lives we used, as I said
10 yesterday, because in February of 1996 we began booking
11 the lives that was approved in the Stipulation and
12 Order in the TC94-121 docket.

13 Q. If you were -- did you do a what-if to
14 determine what impact not making the represcription,
15 not doing represcripted lives what the impact would be?

16 A. Yes, I did.

17 Q. And what is the impact of that?

18 A. By just going straight to the model and
19 reducing the impact, and this is based on the staff's
20 version, which would be a 6.15 as a starting point, the
21 rate would be 5.75 cents. So it would go from 6.15 to
22 5.75 and that would be .4 cents.

23 Q. The next two on the bottom of page -- or the
24 next two on the bottom of page one of this exhibit and
25 the two on the top of the next page on the exhibit

1 which refer to page 8, those are more properly
2 addressed by Miss Wilcox?

3 A. Yes.

4 Q. Would you explain, I think page 8, 9, the one
5 that's limited, the third one from the bottom, that's
6 stated page 8 and 9, lines 18 to 19 and 22 I think
7 you've already testified to, but now on page nine the
8 net investment, the return on net investment, is that
9 number correct?

10 A. Oh, the next to the bottom one.

11 Q. Yes.

12 A. No, the actual return on investment for
13 switched access as filed with this Commission is 5.42
14 percent.

15 Q. And where is that? Where would that be
16 reflected in U S West's? How is that reported to the
17 Commission?

18 A. Well, it's reported via letter. It was also
19 given to AT&T in the same exhibit where Miss Parker
20 pulled off her number.

21 Q. Is it true that U S West has failed to follow
22 the Commission's imputation rules?

23 A. No. The imputation rule is in Chapter 27,
24 Rule 5, and we followed that exactly.

25 MR. HEASTON: I have no further questions.

1 THE CHAIRMAN: Do you have any questions of
2 this witness, Mr. Lovald?

3 CROSS-EXAMINATION

4 BY MR. LOVALD:

5 Q. Mr. Culp, you indicate that your actual
6 return on investment on switched access is 5.2 -- 5.42
7 percent; is that correct?

8 A. That's correct.

9 Q. How did you calculate that?

10 A. I didn't calculate that. I pulled it from a
11 report.

12 Q. Which report is that?

13 A. It's a report that shows the -- it's the G
14 series reports from the CAAS system, which shows the --
15 that's filed with this Commission that shows the
16 earnings by basically for noncompetitive, emerging
17 competitive and fully competitive service and has the
18 product detail for it.

19 Q. It's your testimony that it's taken from the
20 CAAS system report that's on file with the Commission?

21 A. Yes. And it's also in the interrogatory
22 response given to AT&T, your client.

23 MR. LOVALD: Mr. Chairman, could I ask for a
24 couple minutes?

25 THE CHAIRMAN: Sure. Do you want five

1 minutes?

2 (AT THIS TIME A SHORT RECESS WAS TAKEN...)

3 THE CHAIRMAN: Are you ready now? Okay.
4 Let's go back on the record. You may proceed, Mr.
5 Lovald.

6 MR. LOVALD: Mr. Chairman, I guess I'm going
7 to request your guidance on this issue before I
8 proceed. I've got an exhibit that I'm going to want to
9 have marked, identified, and entered in the record.
10 It's a portion of the information submitted in response
11 to a data request, but it's confidential and
12 proprietary information. I don't want to violate a
13 confidentiality agreement. And I guess I'm asking you
14 additional guidance in terms of how we handle this
15 exhibit.

16 THE CHAIRMAN: How would you like to
17 proceed? Under seal, or would you like to exclude some
18 parties from the room from your cross-examination? Or
19 how would you like?

20 MR. LOVALD: I guess at this particular point
21 I'd like to mark the exhibit, place it under seal. I
22 think the only question I'm really going to be asking
23 Mr. Culp at this point is whether this is a portion of
24 material that was furnished to AT&T, reviewed by AT&T,
25 and used by Miss Parker in preparing her prefiled

1 testimony where she referred to the net return on
2 investment on switched access.

3 THE CHAIRMAN: We can admit that under seal.

4 A. Can I say something on that? Sorry
5 counselor. I would like the whole data response to be
6 part of that.

7 MR. HEASTON: Let him ask his question.

8 Q. Mr. Culp, I'm going to hand you what's been
9 marked for identification as Exhibit 27. Is this a
10 portion of the material that you furnished to ATAT in
11 response to the data request?

12 A. Yes, it is.

13 Q. Without revealing any of the contents, would
14 you examine those pages and tell me whether that's the
15 material that was used by Miss Parker in referring to
16 the return on investment relating to switched access?

17 A. I don't know.

18 Q. Where did the material come from?

19 A. It came from my group.

20 MR. HEASTON: Can we have specifics? At this
21 time I don't think it would violate confidentiality to
22 specify what pages those are and where they come from.

23 A. This is a CAAS report the '83 report, 6.1.

24 Q. Was this particular report filed with the
25 Commission?

1 A. No, it was not.

2 MR. LOVALD: I'd offer the exhibit. Your
3 Honor.

4 THE CHAIRMAN: Any objection? It's admitted.

5 A. Counselor.

6 MR. HEASTON: Will you please?

7 Q. Mr. Culp, would you agree with me that
8 revenues are relevant to a marketing allocation factor?

9 A. I don't know what you mean by marketing
10 allocation factor.

11 Q. Just so that I understand your testimony, I
12 believe you made some reference to the fact that
13 several of Pat Parker's criticisms, if accepted, would
14 result in the reduction of the switched access
15 requested 5.89 percent. You know, if we were to
16 itemize each one of your exhibit line items and just
17 start by numbering them 1, 2, 3, et cetera, are we
18 talking about line items 3 and 4 on that exhibit?

19 A. Yes.

20 Q. And on the depreciation it's your testimony
21 that you actually excluded the accelerated depreciation
22 and then re-run those numbers through the computer
23 model?

24 A. Would you define the term accelerate for me
25 because it has a different context to me than it is the

1 way you're throwing it around here?

2 Q. Maybe I'll use the number. You've heard the
3 number bandying about that the accelerated
4 depreciation --

5 A. Excuse me, that was the word.

6 Q. The 7.4, Mr. Culp?

7 A. The, yes, again.

8 Q. Okay. The question is did you exclude that
9 number and actually re-run the computer model?

10 A. Yes, I did.

11 Q. Okay. And how much of a decrease did that
12 result in?

13 A. The starting point was 6.15 cents, and the
14 output with the adjustment, or by excluding the seven
15 million is 5.75 percent -- or 5.75 cents.

16 Q. So then in determining the impact we would
17 subtract 5.75 from 6.15?

18 A. Dot 4 cents. .004 dollars.

19 Q. Mr. Culp, you indicated that I believe in
20 response to the last criticism your response was U S
21 West performed the imputation required by rule
22 20:10:27:5. Now, are you familiar with the responses
23 that U S West made to the data request furnished by
24 AT&T?

25 A. I should be.

1 Q. Would you agree with me that U S West refused
2 to answer a number of the data requests?

3 A. I'd like to -- I'd like to see what -- I
4 don't recall.

5 MR. HEASTON: Mr. Lovald, the question is --
6 or the answer was that we had not followed the
7 imputation test required by Commission rule. And if
8 we're getting outside of that, then I would object.

9 MR. LOVALD: We aren't. I guess, you know,
10 my point is and will be with these questions that we
11 asked a number of questions in our data requests for
12 information relating to the imputation rules. And some
13 of those data requests were unanswered on the basis of
14 U S West's objections. And that's my question or going
15 to be my question of this witness.

16 MR. HEASTON: I would object to that question
17 because they have testified they were satisfied that we
18 were responsive with the discovery. They did not file
19 any Motions to Compel. The refusals were based upon
20 relevancy. And they should have litigated that before
21 we got in here.

22 THE CHAIRMAN: Mr. Lovald, your witness did
23 testify that she was satisfied with all the data
24 requests. Are you saying now that there are some that
25 were refused?

1 MR. LOVALD: No, I'm not, Mr. Chairman. I
 2 think Miss Parker's testimony on the imputation issues
 3 was something to the effect that she wasn't sure
 4 because she hadn't been given the information to
 5 actually run the numbers. And I simply want to -- I
 6 simply want to make the point with this witness that he
 7 may well be testifying that they complied with the
 8 rules, but as to his statement that they did comply,
 9 that they haven't furnished the information that would
 10 allow anybody else to look at them.

11 THE CHAIRMAN: I'm going to allow it, bearing
 12 in mind that there are some caveats which the
 13 Commission might consider.

14 Q. Mr. Culp, would you agree that U S West did
 15 refuse to answer data request seven?

16 A. I can't agree because I don't have data
 17 request seven in front of me, and I don't know what it
 18 is. I don't remember the numbers of them.

19 MS. CREMER: John, is that in your first
 20 set?

21 MR. LOVALD: It's in the first set.

22 Q. Mr. Culp, I'm going to hand you what I would
 23 represent to you are my filed copies of your responses
 24 to data requests. This is the initial set. Seven, 8,
 25 9, 10, 16, and 17, and lastly, 27. After reviewing

1 those, could you state for the record whether you would
2 agree that U S West refused to answer all of those
3 numbered requests?

4 A. I would state that these are responses and
5 speak for themselves as how responsive or unresponsive
6 they were.

7 Q. Would you agree with me that some portion of
8 the information called for in each one of the data
9 requests or that data requests related to the
10 imputations?

11 A. You didn't finish the question, did you?

12 Q. Would you agree with me that some portion of
13 the information as called for by that series of data
14 requests had some relationship to the imputations
15 required to be performed by U S West under 20:10:27:5?

16 A. No.

17 Q. It's your claim that none of those called for
18 any of that information?

19 A. Correct.

20 Q. Mr. Culp, when was the last time you did an
21 imputation test?

22 A. It depends on what you call an imputation
23 test. The imputation test required by Rule 2705 was
24 done as the inputs and through the model, and I did it
25 following that rule. Probably what your client is

1 suggesting as what is an imputation test I have never
2 done any of those. Those are economic based, and we're
3 here in a hearing here to set allocated cost base
4 rather than economic cost studies.

5 MR. LOVALD: Could I have the responses to
6 the data request referred to as Exhibit A properly
7 marked.

8 Q. I'm going ask you, Mr. Culp, to look at
9 what's been marked for identification as Exhibit 28.
10 Are those the data requests that I've been questioning
11 you about and the responses thereto by U S West?

12 A. Are -- were these U S West's responses is
13 that question?

14 Q. That's correct.

15 A. Yes.

16 Q. That's what I recall.

17 MR. LOVALD: I'd offer Exhibit 28.

18 THE CHAIRMAN: Objection? It's admitted.

19 MR. LOVALD: No further questions, Your
20 Honor.

21 THE CHAIRMAN: Does any other party have any
22 questions for this rebuttal witness?

23 MR. TIESZEN: Your Honor.

24 THE CHAIRMAN: We'll take Mr. Tieszen from
25 Sprint.

CROSS-EXAMINATION

1
2 BY MR. TIESZEN:

3 Q. Mr. Culp, under direct examination by your
4 counsel, Mr. Heaston, a few minutes ago and I think in
5 the testimony you filed rebuttal document number --
6 Exhibit No. 26, you made the statement that revenues
7 aren't relative to the cost study. Do you remember
8 that?

9 A. Hopefully, what I said was revenues are not
10 an input to the cost study.

11 Q. Do you have Exhibit 26 in front of you?

12 A. Yes.

13 Q. Referring you to page 7, first on the front
14 page of that exhibit under your rebuttal, does it not
15 say the words revenues are not relevant in this cost
16 study?

17 A. I'll accept that.

18 Q. So are you now agreeing you did say that?

19 A. Yes, I'll agree with that.

20 Q. Thank you. Now, did you also say that you
21 divided revenues by the minutes of use?

22 A. No.

23 Q. In your testimony with Mr. Heaston a few
24 minutes ago, you did not say that revenues are divided
25 by minutes of use?

1 A. No. If I did, I misspoke.

2 Q. Are revenues divided by minutes of use?

3 A. Not in this cost study.

4 Q. It's not part of any calculation in this cost
5 study?

6 A. No.

7 MR. TIESZEN: Okay. Thank you.

8 THE CHAIRMAN: Mr. Gerdes?

9 CROSS-EXAMINATION

10 BY MR. GERDES:

11 Q. Mr. Culp, if I recall correctly, the initial
12 filing of U S West was for 6.7 cents in this docket; is
13 that correct?

14 A. Something like that.

15 Q. And staff talked you down to 6.15; is that
16 correct?

17 A. I don't think they talked us down. I think
18 they came up with their analysis, and we said that we
19 would move to that level.

20 Q. Okay. And if I understand your calculation
21 correctly with respect to the depreciation issue, if
22 Ms. Parker is correct, that it go from 6.15 to 5.75
23 cents; is that right?

24 A. I said -- you said Miss Parker's
25 calculation. Hers was dead wrong.

1 Q. No. If her assertion is correct and your
2 calculation is correct, that would bring the number
3 down to 5.75 cents; correct?

4 A. I said if I ran a what-if, that's how much it
5 was worth.

6 Q. Okay. Then I believe here on line items 3
7 and 4, you also calculated another two-tenths of a
8 cent; right?

9 A. Pretty close to that.

10 Q. So that would bring it down to 5.55 cents if
11 that assertion was correct?

12 A. That's your math, okay.

13 Q. Well, 5.75 less?

14 A. You're just throwing -- one thing you can't
15 do with this model, there's an interaction with this
16 model and so when you put them together, if you take
17 all the piece parts and add them up, you're going to
18 make a larger change than what would be there. But
19 it's a ball park number.

20 Q. 5.75 cents, if you subtract two-tenths of a
21 cent you get down 5.55 cents; right?

22 A. Okay.

23 Q. To paraphrase former Senator Everett Dirksen,
24 if you take a tenth of a cent there and a tenth of cent
25 there, pretty soon we're talking about real money.

1 Would that be correct?

2 A. I think his statement was if you took a
3 million dollars there and a million dollars there.

4 Q. And I think you said -- I paraphrased him,
5 didn't I?

6 A. Okay.

7 Q. Okay. So to paraphrase Senator Dirksen, if
8 you take a tenth of a cent there and a tenth of cent
9 there, pretty soon you're talking about real money.
10 aren't you, in this business?

11 A. That's your assertion.

12 Q. Do you agree with that?

13 A. I agree.

14 MR. GERDES: Thank you. That's all.

15 THE CHAIRMAN: Commission counsel?

16 CROSS-EXAMINATION

17 BY MR. HOSECK:

18 Q. Mr. Culp, I'm confused. Are you changing
19 your testimony now to say the switched access rate
20 should be 5.55?

21 A. No way, no way. When I stated, I did the
22 what-if. It was just to put some bounds around
23 Ms. Parker's testimony. I was not in any way saying
24 this is -- I mean she said our cost studies are
25 flawed. You should throw them out. She had had every

1 cost study ever put into it. All I did was I want to
2 put some bounds around it. What's the impact of her
3 assertions? So that's the reason I did that.

4 MR. HOSECK: Fine. Thank you.

5 THE CHAIRMAN: Commissioner Schoenfelder?

6 COMMISSIONER SCHOENFELDER: Okay. Mr. Culp,
7 I think you just testified to and you testified in your
8 direct testimony that you came in with and I'm going to
9 say roughly a 6.7 percent rate, and the staff said 6.15
10 and you just immediately agreed to the staff's
11 position. Why would you do that if you didn't think
12 your cost studies were off? Or if you were so darn
13 comfortable with your cost studies, why would you do
14 that?

15 A. It just wasn't worth the fight. I mean the
16 fight would have been a lot longer then.

17 COMMISSIONER SCHOENFELDER: Let's look at
18 Interrogatory 3 then.

19 A. We were here at 5.5 not long ago.

20 COMMISSIONER SCHOENFELDER: But, I don't
21 understand if you can rely on your numbers and you're
22 very comfortable with your numbers, why would you
23 immediately give to what staff suggestions are.

24 MR. HEASTON: I need to object. I don't
25 think he said immediately.

1 COMMISSIONER SCHOENFELDER: I think he said
2 in his direct testimony that as soon as staff came up
3 with that, he just agreed to that, so I think it was an
4 immediate agreement. And I just -- I don't want you to
5 object to my question. I want the question answered.

6 THE CHAIRMAN: I'm not going to overrule a
7 Commissioner. I will allow some interexchange on those
8 kinds to straighten out facts.

9 MR. HEASTON: It misstates the record. And I
10 would go back to the record, and he explained how he
11 got the thing on Sunday and worked it over the
12 weekend. We had some discussions on Monday and Tuesday
13 before we came in here, and it was not an immediate
14 thing. And we have had a number of discussions with
15 the staff, both before and after we filed this case.

16 COMMISSIONER SCHOENFELDER: Okay. But
17 agreeing to the staff's numbers must be based on
18 something other than you just agreed to it.

19 A. Well, yeah. It was a lot of -- it wasn't
20 just myself that agreed to it either. It was
21 Mr. Lehner and Mr. --

22 COMMISSIONER SCHOENFELDER: I assume it was
23 your company.

24 A. Well, the company in this case was the three
25 of us.

1 COMMISSIONER SCHOENFELDER: Okay. Then I
2 have another question to ask you. In Exhibit 26 you
3 put this together last night. Hadn't you read Miss
4 Parker's testimony before that?

5 A. Yeah, I read her testimony on Saturday and
6 Sunday.

7 COMMISSIONER SCHOENFELDER: You had some
8 questions about it, too, so why didn't you answer those
9 earlier? Why do this now?

10 A. Well, I did spend all weekend preparing for
11 this hearing. And by the time we got around to
12 preparing this exhibit, Mr. Heaston is in Denver,
13 Mr. Welk is in Sioux Falls, I'm in Omaha. The first
14 opportunity we had to put all this together was
15 yesterday.

16 I mean I had my pencilled sheet with this is
17 what the responses should be, but we had no opportunity
18 to sit down. I mean what I was doing when I got here
19 Tuesday night was preparing for my own direct
20 testimony, not preparing for the rebuttal of Miss
21 Parker.

22 COMMISSIONER SCHOENFELDER: Thank you.

23 THE CHAIRMAN: Well, just to follow up, it
24 seems to me to be reasonable if you respond to a
25 rebuttal witness you would wait until after you had

1 heard the cross-examination of the witness in this
2 case, Miss Parker. Seemed reasonable to me. Is that
3 what you did?

4 A. Well, yes, and we were getting worried
5 yesterday because we thought she was going to get on
6 the stand yesterday.

7 THE CHAIRMAN: Well, okay. Any other
8 cross-examination?

9 COMMISSIONER BURG: I had a couple
10 questions. Okay. You seemed to object to the point of
11 calling it accelerated depreciation when it's referred
12 to pro forma. What's the difference?

13 A. Accelerated depreciation, generally speaking,
14 is in the most common sense from a financial
15 perspective is what happens on the tax in taxes. You
16 know, the government allows companies to use what's
17 called an accelerated schedule of depreciation. An
18 accelerated means something faster than straight line
19 and we use straight line depreciation.

20 That's what's required by Part 32. We've
21 always used straight line depreciation. We continue to
22 use straight line depreciation. Even with the
23 adjustment, it's still straight line depreciation. To
24 me accelerated means something quicker than straight
25 line and something like double declining balance or

1 some of the year's digits.

2 COMMISSIONER BURG: Is that not what happened
3 here?

4 A. No, not at all, no.

5 COMMISSIONER BURG: Then I need an
6 explanation of what did happen. Why this depreciation
7 came in as a separate item as different than it was
8 normally treated is the way it looks to me?

9 A. Okay. As you recall, last year we were in
10 front of you in the 94-121 docket and this was one of
11 the big issues in that docket. And that happened to
12 also be a year when we represcribe our depreciation
13 rates and we came through the FCC, we came here and
14 said these are the projected lives that we think are
15 appropriate for setting depreciation rates in the state
16 of South Dakota.

17 And we spent a lot of time with the staff. I
18 mean they have binders down there they can show you
19 that they got from the company. The FCC got those
20 binders. And we went through that represcription
21 process and basically what we did with all that is we
22 determine what the proper projected life for the
23 embedded investment would be, and that's what we did.
24 We went through that process.

25 When you go through that the process, the

1 output of that ends up being newly depreciation rates.
2 So when you accept the lives you accept the rates. And
3 the rates they come together and you see them together
4 too. I mean it isn't one you see them and, oh, they do
5 this and do that.

6 So you put those together and what we did is
7 with the Order in the 121 docket, we began booking
8 those depreciation rates with the acceptance of that
9 Order in February of '96. Now, the reason that's a pro
10 forma adjustment is because in 1995 we had the old
11 rates that were in place and these new rates that
12 became in place in 1996. They were -- it's a change in
13 the expense. It's a known and measurable change. We
14 go to the known and measurable change rule and this
15 fits the known and measurable rule. So we pro form it
16 back into the cost. That ends up being the inputs to
17 the model.

18 COMMISSIONER BURG: Would it be accurate to
19 say it was a known and measurable change based on the
20 life on the projected lives that were determined?

21 A. Really, it's a known and measurable change
22 based upon the amount of depreciation on the books of
23 the company.

24 COMMISSIONER BURG: But what made it change
25 from what it was before? Was it a change in life on

1 some products?

2 A. Yes, yes, it's a change in the life of
3 assumption.

4 COMMISSIONER BURG: And you know actually it
5 was an acceleration in the depreciation by --

6 A. It's a shortening of the life. We use the
7 word shortening of life.

8 COMMISSIONER BURG: I understand that. I
9 understand the shortening of life. But that would
10 accelerate depreciation by shortening life; correct?

11 A. Yeah, the accountants get excited by your
12 words, but you have the theory down.

13 COMMISSIONER BURG: You made a real big
14 objection to when somebody called it that and I didn't
15 understand the word pro forma of that. Well, I
16 understand the acceleration. The question I have now
17 is evidently you were able to convince staff that that
18 shortened life was accurate. Would that be proper?

19 A. Well, that was step one.

20 COMMISSIONER BURG: Okay. And because
21 there's been a lot of discussion -- almost every
22 witness has talked about this pro forma treatment, and
23 I can see why if it amounts to four-tenths of a cent on
24 a 6 cent item, that's significant. And so I'm trying
25 to find out how come there was that additional seven

1 point whatever million was able to be brought in
2 because of a shortened life. And what I'm
3 understanding here is that you convinced staff that
4 shortening the life of some of the items was proper and
5 they accepted that; is that correct?

6 A. But that was back in 1995 in the 121 docket.
7 That was handled in the 121 docket.

8 COMMISSIONER BURG: It's not important to me
9 where it was. But, in other words, for you to be able
10 to bring an additional 7.4, was it, million in
11 depreciation into this docket, you convinced them this
12 was proper to shorten life?

13 A. There's more to it than that, though.

14 COMMISSIONER BURG: Okay. What more?

15 A. The other thing was the Commission accepted
16 that in the 121 docket, and that's what we began
17 booking, and that's what shows up in our books now.
18 That's the depreciation expense that we show on the
19 ledger of the books today.

20 COMMISSIONER BURG: But the reason -- you
21 know, what I'm getting at is the reason it was changed
22 for this docket --

23 A. I agree with that. I agree with that.

24 COMMISSIONER BURG: -- is because it's
25 different than what it had been in the past?

1 A. That the life -- that the life estimates were
2 different, yes.

3 COMMISSIONER BURG: You know, and I'm not
4 questioning your position because nobody challenged the
5 fact that staff accepted that change. I heard a
6 criticism of it, but I did not hear an argument as to
7 why it shouldn't have occurred.

8 A. Back in the 121 docket, though, sir, that was
9 a big part of the criticism by AT&T. I mean there was
10 witness Charley Strobe came here, and he had all this
11 testimony on it. I mean it was significant.

12 COMMISSIONER BURG: And we accepted that at
13 that time?

14 A. You accepted it, the company, and accepted
15 the company's position in that case.

16 COMMISSIONER BURG: And, of course, the point
17 I'm making today is that now you have booked that, you
18 brought it into the --

19 A. Yes.

20 COMMISSIONER BURG: -- configuration. The
21 most of the witnesses today, or yesterday and today,
22 criticized that fact. I was looking for a basis that
23 it was not proper. I did not hear that argument go
24 with that criticism.

25 THE CHAIRMAN: Does this prompt any redirect

1 of this witness?

2 MR. HEASTON: Yes, Commissioner. I would
3 like to do the same thing with the exhibit that Mr.
4 Lovald did, have it marked, have it sealed, and it is
5 the source of the Mr. Culp's testimony.

6 THE CHAIRMAN: Any objections to that?

7 MR. HEASTON: That it will be admitted under
8 seal. I guess it would be marked as Exhibit 29. It
9 shows the 5.42 percent on line 41. I have nothing
10 further.

11 THE CHAIRMAN: Okay. I think we're finished
12 with you, Mr. Culp, as a rebuttal witness. Thank you.
13 Do you have any further rebuttal witnesses, U S West?

14 MR. HEASTON: Yes.

15 MR. WELK: Mr. Chairman, we'd call Barbara
16 Wilcox.

17 BARBARA WILCOX,
18 called as a witness, being first duly sworn,
19 was examined and testified as follows:

20 DIRECT EXAMINATION

21 BY MR. WELK:

22 Q. Would you state your name for the record.

23 A. My name is Barbara M. Wilcox.

24 Q. And, Barbara where are you employed?

25 A. I'm employed by U S West Communications.

1 Q. Where is your location?

2 A. My business address is 1801 California
3 Street, Denver, Colorado.

4 Q. What is your current position with U S West?

5 A. I'm employed by U S West as director for
6 product and market issues, and I have specific
7 responsibility for carrier access services.

8 Q. And what does that mean that you have
9 responsibility for carrier access services?

10 A. I work with the pricing of carrier access
11 services, supervise and oversee the preparation of
12 pricing proposals and present and sponsor those
13 proposals with the State Public Utilities Commissions.

14 Q. How long have you been involved in the access
15 pricing portion of the business for U S West?

16 A. Since 1990.

17 Q. What is your educational background?

18 A. I have a bachelor's degree from Colorado
19 College. I hold a master's and Ph.D. degrees from
20 Brown University in the field of experimental
21 psychology.

22 Q. We seem to have attracted a number of
23 psychologists. I don't know if that says anything
24 about the industry. Barbara, how long have you been in
25 the telecommunications business?

1 A. I began working for what was then Mountain
2 Bell in 1980.

3 Q. And what were your duties and
4 responsibilities, just quickly, a little background for
5 the Commission, up to 1990?

6 A. Sure. My first work for the telephone
7 company was in the area of market research in which I
8 was applying my training and expertise in research
9 design to specifically to market and consumer
10 research. From there I moved into wider market
11 analysis of responsibilities, pricing and product
12 management responsibilities. I've worked with a number
13 of different products for the company over the years.
14 And, as I said previously, most recently have been
15 working with carrier access services.

16 Q. Barbara, you have been quoted in a couple of
17 places in the testimony that's been filed in this
18 case. Particularly, in Miss Parker's testimony there
19 is a reference to testimony regarding the CCLC that
20 appears in footnote 10 on page 13. As a reference that
21 concerning CCLC, Dr. Barbara Wilcox direct testimony,
22 page 5, Docket No. 95-022 -- strike that. 95-0200
23 before the Washington Utilities and Transportation
24 Commission February 17th, 1995, stating, quote,
25 "theoretically, there are no direct access costs

1 associated with this rate element." Did you provide
2 that testimony that's referenced in that footnote?

3 A. Yes, I did.

4 Q. And would you explain to the Commission the
5 context of that testimony?

6 A. Yes, I'd be happy to. We have had a lot of
7 discussion in this docket about the CCLC and the loop
8 cost that it represents, a recovery of. And when I
9 made this statement in my testimony in Washington, I
10 made it in the context of the direct or incremental
11 costs of switched access services specifically. Now,
12 when you look at the cost of the Loop, as was stated
13 earlier today, those Loop costs do not vary with the
14 switched access or the long distance traffic that may
15 or may not travel via that Loop. And so for that
16 reason, when you're looking at incremental costs, there
17 are no direct or incremental costs associated with the
18 Loop associated with switched access service
19 specifically.

20 At the same time, that doesn't mean that the
21 Loop costs don't exist. They do indeed exist as we've
22 been hearing in this hearing here.

23 Q. Do those comments have any relationship to
24 the fully allocated, the fully distributed cost study
25 that's subject to the Commission's rules?

1 A. Yes, they certainly do because the rules that
2 have been adopted by this Commission make a very
3 specific treatment of the Loop costs. They
4 specifically assign 25 percent of the loop costs to the
5 switched access category, the intrastate switched
6 access category.

7 Q. Now, Witness Tom Simmons testified and filed
8 prefiled testimony in this case, and he also made a
9 reference in his testimony to a statement that you
10 made, and that's contained on the bottom of page 2 and
11 the top of page 3 in his testimony. Mr. Simmons'
12 testimony was marked as Exhibit 9. Where he states
13 that in a Washington proceeding that you stated, quote,
14 "switched access traditionally provided a large margin
15 of contribution toward the common costs of the line and
16 has been viewed as the source of subsidy to support
17 other telephone services, therefore switched access
18 prices greatly exceed their economic cost." Did you
19 make such a statement?

20 A. Yes, I did.

21 Q. Would you explain the context, again, if
22 that's different than the other statement that I've
23 referred to?

24 A. The context is the same. In this statement
25 that Mr. Simmons has quoted, I used the term economic

1 costs, and by that I meant the same thing as
2 incremental or direct costs. And so the context is the
3 same. When you consider it from the point of view of
4 incremental or direct costs, then from that point of
5 view it would be called a subsidy. The issue is still
6 the same, though. How do you recover those costs?

7 Q. The subsidy that's referred to there is a
8 subsidy from what to what? In the context of that
9 statement, what is the subsidy that you're referring
10 to?

11 A. In this case a subsidy exists whenever there
12 is contribution from one product that is priced in
13 excess of its direct costs that flows to other products
14 that are priced below their direct costs. And so the
15 subsidy that I was referring to here, it was a general
16 statement saying any product that is priced below its
17 direct costs, then, is being subsidized by the switched
18 access service. And included in that statement would
19 be specifically residential basic exchange service.

20 Q. Now, you have been in the room most of the
21 time but not all of the time during the last day and a
22 half to hear the testimony; is that correct?

23 A. Not quite all the time, but a good share of
24 the time, yes.

25 Q. And in this docket did you help in part to

1 prepare Exhibit 26 that's been received into evidence?

2 A. Yes, I did.

3 Q. And what was in reviewing -- and this is a
4 rebuttal document to Miss Parker's testimony. What
5 subject matter were you reviewing Miss Parker's
6 testimony for relative to the cost study?

7 A. I reviewed her testimony specifically with
8 regard to the demand inputs to the model and by demand
9 inputs I mean the minutes of use that are used as the
10 divisor to arrive at the rate.

11 Q. That's the formula Mr. Culp testified of
12 basically expenses, plus return, plus the tax liability
13 divided by minutes of use?

14 A. That's correct.

15 Q. And so your role would have been to review
16 her testimony relative to minutes of use in that
17 calculation?

18 A. Yes.

19 Q. Turning to the first page of Exhibit 26 and
20 the second to the last item on that, the criticism was
21 on page 8, line 2, that U S West appears to have
22 understated the originating toll minutes of use for the
23 sole exchanges. There is a reference that U S West
24 inadvertently applied incorrect factors. This
25 correction would impact the switched access rate by a

1 positive .000247. Why don't you explain what that
2 answer is?

3 A. Certainly. When I read the statement in Miss
4 Parker's testimony -- and, by the way, I received her
5 testimony on Monday morning in Denver. It caused me to
6 go back and review that particular calculation. And
7 while the number was certainly a reasonable number that
8 I had not questioned originally, upon closer scrutiny,
9 discovered that the analyst who had performed that
10 particular exercise in converting U S West toll minutes
11 to switched access equivalent had applied an
12 inappropriate factor to specifically the originating
13 residential MTS minutes of use. And so those minutes
14 of use were somewhat understated. And when I corrected
15 that factor and corrected that calculation, then it had
16 the impact on the rate that is indicated here on
17 Exhibit 26.

18 Q. That's ten thousandths of a penny?

19 A. Well --

20 Q. There was a reason some of us weren't math
21 majors.

22 A. It is out in the fourth decimal place. I
23 think it's in hundreds of a cent.

24 Q. The last item on the first page of 26 is the
25 assertion by Miss Parker on page 8, lines 3 and 4, that

1 U S West failed to include the U S West toll minutes
2 that originate from the independent companies'
3 territories. And the statement was U S West did not
4 include these minutes because they are not relevant to
5 the U S West study. Is that the position of the
6 company relative to that assertion?

7 A. Yes. And it's also consistent with the
8 switched access rule. The rule calls for inputs that
9 are U S West costs. And if these minutes are
10 originating in an independent company, then those
11 originating access costs would not be U S West costs.

12 Q. So, as an example, let's take Golden West in
13 Wall, South Dakota, an independent. Explain to me,
14 then, the assertion made by Miss Parker how the toll
15 units minutes would be used in the calculation and as
16 to why they're inappropriate to be included. I just
17 want to give an example.

18 A. Certainly. If you assume that someone in
19 Wall is calling even someone in Pierre, it really
20 doesn't matter where in the state they're calling to
21 because -- or what we're talking about are the
22 origination, is the origination of the call. But when
23 you convert toll minutes to an access equivalent, one
24 of the processes in that conversion is to break it down
25 and look at the origination of the call separately from

1 the termination of the call. Because switched access
2 is charged separately on the originating and the
3 terminating ends of the calls.

4 So in doing this process, if the call
5 originates in Wall, then that's Golden West's switch
6 that is doing the first switching function when that
7 end user picks up the phone and dials a number in
8 Wall. That is not a U S West switch. That is doing
9 that first switching function. And that's what the
10 originating access charge represents is the function of
11 that first switch, plus associated transport. And
12 that's the reason why that is not properly included in
13 the U S West cost study.

14 Q. Turning to page 2, of 26, on the top, the
15 assertion made by Miss Parker on page 8, lines 4 to 7,
16 that U S West failed to account for the additional
17 access minutes that U S West owned toll would have for
18 customers that use CLASS -- and that's all caps.
19 C-L-A-S-S, services for ample call forwarding in
20 conjunction with their toll services. There was a
21 rebuttal that she's incorrect in the U S West has
22 accounted for these minutes. Would you explain the
23 rebuttal to the assertion, please?

24 A. Yes. Well, first of all, call forwarding is
25 not a CLASS service. It's a custom calling service.

1 But setting that aside, there are services such as call
2 forwarding that can trigger a long distance call. For
3 example, if I am going to be away from my home or from
4 my office for a period of time and I want the calls
5 automatically forwarded to another number during my
6 absence, I can use call forwarding feature to do that.
7 And I can, if I choose, forward it to another number
8 that is a long distance call from my home or my
9 office.

10 So in an instance like that, if a person
11 calls my home number, it's automatically forwarded to
12 say my hotel here in Pierre if that's what I choose to
13 do. Then that triggers a long distance charge from
14 Denver to Pierre in that example. Our long distance
15 tracking systems capture all of those long distance
16 calls along with the regularly direct dialed long
17 distance calls. So there is not a problem here. The
18 system does capture all of those calls, and they are
19 included in the numbers.

20 Q. And the last assertion that you reviewed
21 relative to your testimony is the second item on the
22 top of page 2. On page 8, lines 11 to 17, that U S
23 West failed to account for miscellaneous access
24 revenues. The rebuttal states the rules do not require
25 these revenues to be included in the calculation. In

1 any event, the impact of the rate would only be a
2 negative .00116. Would you explain that, please?

3 A. Yes. And, again, we're out in the fourth
4 decimal place on the impact of this particular item.
5 I did go back and review the rules again just to be sure
6 on this item. But when you review the rule that
7 governs the calculation of each of the three rate
8 elements, the rule clearly states that you take the
9 revenue requirement associated with that rate element.
10 Take, for example, local transport, and you divide that
11 revenue requirement by the minutes of use and that's
12 the rate.

13 Now, the adjustment that Miss Parker is
14 referring to is something that sometimes has been done
15 in other jurisdictions. For example, the nonrecurring
16 charges are traditionally associated with transport.
17 And so sometimes what is done is you take the revenues
18 that you gain from your nonrecurring charges and you
19 account for them first. And the simplest way to do
20 that is to subtract them from the revenue requirement
21 before you divide by the minutes to get the transport
22 rate.

23 And, similarly, the CIC charges for 300 and
24 900 calls, these are the database charges that the
25 charge that's charged to a carrier when an end user

1 places an 800 or a 900 hundred call when we will have
2 to look it up in the database to see how to wrap the
3 call. Those are traditionally counted as a local
4 switching element and so, similarly, you can offset
5 those revenues against the local switching revenue
6 requirement before computing the rate. The total of
7 those revenues for South Dakota is something on the
8 order of \$50,000 annually. So as you can see, the
9 adjustment is very small.

10 Q. In sum, in looking at the four portions of
11 her testimony relative to the *minutes of use*, then,
12 would you summarize basically what the impact would be,
13 assuming -- I mean, a couple of them, as I understand
14 your testimony, are just not accurate, are not valid
15 valued criticism; is that correct, in your opinion?

16 A. Yes, yes.

17 Q. Now, I guess, on page 1 of Exhibit 26 you
18 have that the correction made there would have a
19 positive impact of .00247. Now, what do you mean by
20 the word positive?

21 A. Actually, it's positive .000247, meaning that
22 the rate, the overall computed rate would go up by that
23 amount.

24 Q. And on the fourth change you said that you do
25 not agree with that. The rules don't provide for it

1 but even if she -- you mean even if you want to violate
2 the rules, it has a negative impact. What do you mean
3 by the word negative there?

4 A. I mean that the rate would go down by that
5 amount.

6 Q. Could you, for the record, state what the
7 current U S West interstate access rate is?

8 A. Yes. The current on average interstate
9 access rate is 2.55 cents per minute. This is a
10 composite rate for all 14 states that U S West serves.

11 MR. WELK: Nothing further.

12 THE CHAIRMAN: Is there any cross-examination
13 of this witness? Mr. Lovald?

14 MR. LOVALD: Yes.

15 CROSS-EXAMINATION

16 BY MR. LOVALD:

17 Q. Is it your position that the Loop costs
18 should be allocated to switched access?

19 MR. WELK: Objection of the form of the
20 question as to what -- as to the application of the
21 rules. From an economic standpoint?

22 MR. LOVALD: I'll ask it in the form of two
23 questions.

24 Q. I believe you testified that under the
25 fully-distributed approach there would be some cost

1 allocated to switched access; is that correct?

2 A. That's correct. There would be some loop
3 costs allocated to switched access.

4 Q. By the same token, you've acknowledged the
5 testimony that you provided in the state of Washington
6 that under LRIC costing there is no cost associated
7 with the CCLC portion of switched access; is that
8 correct?

9 A. I have to amend your statement a little bit
10 in order to agree with it. There's no direct costs,
11 switched access cost associated with the CCLC.

12 Q. Does U S West have a corporate policy
13 position concerning whether Loop costs should be
14 allocated to switched access?

15 A. Our position is that the Loop costs are costs
16 that we need to recover, and we certainly have
17 advocated in front of this Commission as well as other
18 Commissions that an appropriate way to do that is to
19 recover those costs directly from the end users. We
20 went through that in the previous dockets in front of
21 this Commission over three years ago, and I was one of
22 the witnesses who testified to those kinds of issues in
23 those proceedings. This Commission has made its
24 decision about allocation of Loop costs. We accept
25 that decision. We are now operating in the state of

1 South Dakota in the environment that is provided by
2 that Commission decision. That the company accepts
3 that.

4 Q. Is it U S West's corporate position that the
5 intrastate switched access rate should mirror the
6 interstate switched access rate?

7 A. Not necessarily, no.

8 Q. Has that been the position that you have
9 taken as a U S West witness in other state regulatory
10 proceedings?

11 A. I don't recall taking that position in other
12 states, no.

13 Q. Did you testify to that effect in the
14 Colorado rate rebalancing proceeding?

15 A. I have to assume you're referring to
16 testimony that has been filed in Colorado but the
17 hearings have not yet been held?

18 Q. Prefiled testimony.

19 A. Prefiled testimony.

20 Q. If I clarified my question to ask if prefiled
21 testimony was to that tenor or that effect, would you
22 agree with me?

23 A. No, I would not. I did not make that
24 recommendation in Colorado.

25 Q. Under your testimony or under your scenario

1 on a call originating from Wall to Pierre, would not
2 U S West charge terminating CCLC and local switching
3 transport?

4 A. I'm not sure if I'm understanding your
5 question because I'm not quite sure if you're assuming
6 that U S West is the long distance provider in that
7 example or somebody else.

8 Q. We're assuming in the question that U S West
9 is the terminating access provider.

10 A. Okay. If I may, when I spoke to that example
11 before, I was speaking to it as an example of how we
12 convert long distance minutes of use to an access
13 equivalent. But perhaps if you repeated your question
14 again, that I might be able to respond.

15 Q. On a call originating from Wall to Pierre,
16 would not U S West charge terminating CCLC and local
17 switching transport?

18 A. There would be U S West terminating access,
19 yes.

20 Q. Therefore, wouldn't those minutes be counted?

21 A. Yes.

22 Q. Mr. Culp stated that revenue is not used in
23 the calculation of the switched access costs. Can you
24 explain how revenues are used in the FCC's cost
25 separations rules?

A. No, I can't. I don't know if they are used in the FCC's cost separations rules.

MR. LOVALD: I have no further questions.

THE CHAIRMAN: Is there any other cross by any other parties? Mr. Gerdes or Mr. Tieszen, or Mr. Pfeifle? I've almost forgotten you over there. Commission counsel? Commissioners?

COMMISSIONER BURG: I have one question. There's been quite a bit of reference to the Washington decision. Were you involved with that? Were you a witness in the Washington?

A. Yes, I was.

COMMISSIONER BURG: Do they have rules similar to ours, or what were you working with there?

A. The Washington situation is rather complex right now. There are switched access rules which I believe are still in place in the state that are similar to the South Dakota rules.

The docket in which I was testifying the rate case where my testimony was quoted was a case in which a lot of the testimony and a lot of the advocacy was to move away from that kind of costing methodology and to an incremental costing methodology. And, indeed, the Commission Order at the end of the case adopted the basic assumptions of incremental costing as being

appropriate.

However, what is not clear in my mind and I question -- I have not studied the Commission Orders in detail to try to sort this out. But it's not clear in my mind is whether they have indeed ordered that those switched access rules that were based on fully-distributed costs should be abandoned at this point. The Order in the rate case is also under a court stay at the moment.

COMMISSIONER BURG: Okay. I was familiar it had been appealed and under a stay. So from what I heard you say is they had some costing language in their rules, but in the process they took a lot of testimony based on -- what's the word I'm looking for? Based on incremental pricing or, no -- yeah, based on incremental pricing. So you're not sure just exactly what the Order stated; is that correct?

A. Well, yeah. I would have to say it's a very long and it's a very complex Order, and I'm not quite sure at this point what the official status in the state of Washington is as far as what the official cost basis is for switched access in that state.

COMMISSIONER BURG: Thank you.

THE CHAIRMAN: Commission Schoenfelder?

COMMISSIONER SCHOENFELDER: No, I don't have

1 anything.

2 THE CHAIRMAN: Any redirect?

3 MR. WELK: Just one question.

4 REDIRECT EXAMINATION

5 BY MR. WELK:

6 Q. In the hypothetical that was asked about the
7 terminating access, do you remember that?

8 A. Yes.

9 Q. Were those in that hypothetical, if that was
10 the call that was in this cost study, would the
11 terminating access minutes of use been included in the
12 cost study?

13 A. Yes, they were.

14 MR. WELK: I have no further questions.

15 THE CHAIRMAN: If there's no further
16 questions of this witness, thank you. Do you have any
17 other rebuttal witnesses?

18 MR. HEASTON: Mr. Lehner.

19 JON LEHNER,

20 called as a witness, being first duly sworn,
21 was examined and testified as follows:

22 DIRECT EXAMINATION

23 BY MR. HEASTON:

24 Q. Would you please state your name.

25 A. My name is Jon Lehner.

1 Q. And by whom are you employed?
2 A. I'm employed by U S West.
3 Q. And in what capacity?
4 A. I'm the director of Regulatory Affairs for
5 U S West of South Dakota.
6 Q. What does that mean?
7 A. It means that basically that I handle the
8 regulatory affairs for my company with this Commission.
9 Q. Are you someone who deals with the policy
10 considerations and has responsibility for implementing
11 company policy in the state?
12 A. Yes.
13 Q. The question -- I only have one question for
14 you, Mr. Lehner. The question as to why U S West has
15 implemented or seeks to implement the price change
16 indicated by the rules implemented by the Commission
17 for switched access?
18 A. And I presume that this refers to the
19 question that Mr. Burg asked yesterday?
20 Q. Yes.
21 A. I think, as everybody knows, in 1993 or 1994
22 when we filed the cost study pursuant to these rules,
23 they, in fact, did call for 6.7 cents. And we argued
24 at that time to the Commission and to the staff that we
25 would like to leave the rates at 3.14.

At the time I can tell you that AT&T -- primarily AT&T, was putting significant pressure, not only on U S West, but other companies, to lower their access rates; and AT&T had the leverage to put that pressure on by virtue of the fact that they were our largest access customer. They were threatening bypass. They were threatening to take their PA business away. They were threatening to take their billing business away, all of which we did for them. And as a result of that, it was the decision of our company to not to risk the possibility that AT&T would be alienated in any state by the possibility of increasing rates, access rates. And so we in South Dakota, like several other states, decided to leave money on the table, which is exactly what we did.

Commissioner Burg also asked the question, or made the comment, well, that must mean you have the ability to make up cost somewhere else, and that is absolutely correct. We have had the ability to make up those revenues somewhere else and, in fact, we did. We made them up in virtually every other facet of our business, including features, including toll, including business, local business, all of which are now under pressure. We've lost seven million dollars of toll revenue in this state just in the last year.

1 It wasn't very hard to listen here yesterday
2 to the witnesses that paraded by here from TAG or
3 anybody else to figure out that we must not have very
4 many business customers left in the state and obviously
5 starting to lose residential customers, so it's not
6 hard to believe that the toll revenue is going away.

7 The point, however, is that the times have
8 changed and we are no longer in a position to leave the
9 money on the table.

10 MR. HEASTON: Mr. Lehner is available for
11 cross-examination.

12 THE CHAIRMAN: Mr. Lovald, do you have any
13 cross-examination?

14 MR. LOVALD: No.

15 THE CHAIRMAN: Any other party have any
16 cross-examination?

17 MR. GERDES: Commission counsel?

18 MR. HOSECK: Yes

19 CROSS-EXAMINATION

20 BY MR. HOSECK:

21 Q. Mr. Lehner, did you participate in the cost
22 study preparation in this case at all?

23 A. In the preparation of the cost study?

24 Q. Yes.

25 A. No.

1 Q. So that you're not here attesting to its
2 accuracy or truthfulness or anything of that nature
3 today; is that correct?

4 A. I am not.

5 Q. And did you respond to any data requests from
6 staff in this matter?

7 A. No.

8 Q. And did you provide any input to U S West's
9 staff on this cost study?

10 A. Yes.

11 Q. And what was the nature of that input, in a
12 general sense?

13 A. I can only say it was in a very general sense
14 and in a very broad sense in terms of the direction of
15 where I wanted things to go. As an example, relative
16 to the AT&T data requests.

17 Q. Would it be fair to say it was more or less
18 from a policy point of view rather than a numbers point
19 of view?

20 A. Absolutely.

21 Q. Did you provide any input to the Commission
22 staff at all?

23 A. Not that I remember. I did not participate
24 in the discussions with the Commission staff, at least
25 not that I remember.

1 MR. HOSECK: No further questions.

2 THE CHAIRMAN: Commissioners?

3 COMMISSIONER BURG: And I appreciate the
4 explanation because there was going to be a question
5 asked. You said at the time when you chose not to --
6 that you say when you chose to leave money on the
7 table, in your words, that AT&T threatened bypass. How
8 would they have bypassed at that time?

9 A. Well, the most obvious way is, in fact, the
10 way that they have bypassed and that is through private
11 line. In other words, we have a customer who has
12 significant usage; instead of using a switch network,
13 he used a special access.

14 COMMISSIONER BURG: How much private line are
15 they offering in South Dakota now, do you know?

16 A. AT&T doesn't offer -- well, I shouldn't say
17 offer private line. They offer intrastate private
18 line, and they use our facilities. They don't offer
19 it; they buy it from us.

20 COMMISSIONER BURG: Is that considered
21 bypass?

22 A. It is one form. It is the most significant
23 form of bypass that occurs right now. There is another
24 form, by the way, and that's the 10XX, the ability to
25 dial around, which is the form that they have

1 concentrated on in the past year.

2 COMMISSIONER BURG: Then you feel that, you
3 know, at that time you left money on the table because
4 you were concerned about bypass. How about now? Would
5 that the same situation not be true?

6 A. Well, the bypass remains a concern. The
7 problem, however, is that's obvious that by leaving
8 money on the table and keeping access rates low, we
9 didn't accomplish our goal, at least in the long term.
10 We might have in the short term, but in the long term
11 we didn't accomplish our goal, so there's no point in
12 leaving money on the table.

13 For the same reasons in the discussion we had
14 about the price of toll as it relates to what AT&T pays
15 for access, there doesn't seem to be a correlation
16 whether they pay high access or low access, their rates
17 appear to be the same. We found the same relative to
18 the issue of what we charge for access.

19 COMMISSIONER BURG: The one other thing that
20 occurs to me, and I'm not sure the effect that we
21 allowed before, but if there's not an adequate
22 balancing, if the increase is here and there's not an
23 adequate balancing, could there be a situation of over
24 earning that we'd have to look at, or does the
25 alternate form of regulation completely take care of

1 that?

2 A. The Commission always had has the ability to
3 determine whether or not we are over earning. And in a
4 noncompetitive category, the Commission has the ability
5 to measure us in terms of rate of return, or they have
6 the ability to measure us in terms of price regulation
7 whatever, however they've chosen. In the 121 docket in
8 that stipulation we have agreed to move forward on a
9 price regulation basis. It doesn't mean that the
10 Commission doesn't have the ability to scrutinize our
11 rate of return at any time, which I'm sure the staff
12 does.

13 COMMISSIONER BURG: Thank you.

14 THE CHAIRMAN: Commissioner Schoenfelder.

15 COMMISSIONER SCHOENFELDER: I want to follow
16 up on one comment you made to Commissioner Burg. And
17 you said that AT&T has actually accomplished bypass and
18 they've used that with your private line offering. But
19 that doesn't mean that U S West -- you don't get
20 switched access revenues from that, but U S West still
21 gets revenues from the private line that AT&T buys from
22 you; is that not true?

23 A. Absolutely true. However --

24 COMMISSIONER SCHOENFELDER: Just so --

25 A. However, I would point out the difference in

1 revenues between switched and private line is
2 significant.

3 COMMISSIONER SCHOENFELDER: How significant?

4 A. I don't know. But I can tell you that in the
5 case of private line revenues, we have probably seen
6 our private line revenues go up in the state in the
7 past year by roughly a half million dollars and other
8 toll go down by seven million dollars.

9 COMMISSIONER SCHOENFELDER: So that would be
10 the comparison that you would offer?

11 A. Yes.

12 COMMISSIONER SCHOENFELDER: Then to follow up
13 on your bypass argument, if you raise switched access
14 rates to the point you're asking for, will that not
15 just encourage more bypass by other companies?

16 A. It may. It may.

17 COMMISSIONER SCHOENFELDER: But you don't
18 care?

19 A. Sure, I care. But I've had my rates at 3
20 cents and I obviously haven't avoided bypass. I mean
21 it's happened, and I feel that I am no longer in a
22 position to leave that money on the table. Yeah, I
23 believe there will be some additional bypass, but my
24 position is so be it.

25 COMMISSIONER SCHOENFELDER: Okay. But let's

1 go back to the rate now is still is -- correct me if
2 I'm wrong -- 3.14 cents, and that's not -- Miss Wilcox
3 said you average it to 55 and that's across all 14
4 states?

5 A. That's on an interstate basis.

6 COMMISSIONER SCHOENFELDER: That's
7 interstate.

8 COMMISSIONER SCHOENFELDER: But on the
9 intrastate level are we still now mirroring the
10 interstate rate in South Dakota?

11 A. Absolutely not. We quit mirroring that when
12 the Commission developed the rules in 1993.

13 COMMISSIONER SCHOENFELDER: It's 3.14 now?

14 A. That is what's in the stipulation. In
15 reality, Commissioner Schoenfelder, the customers for
16 access are not paying 3.14. They're paying somewhere
17 in the average, I believe, and several have testified
18 to this, including AT&T, around 2.8. And the reason
19 for that is because with the restructure of transport
20 in switched access, companies like AT&T can take
21 advantage of dedicated transport and reduce their
22 costs.

23 COMMISSIONER SCHOENFELDER: Okay. But if
24 they're paying that price and I believe -- and correct
25 me if I'm wrong -- that the stipulation in the last

1 access rate case applied asked for a phase-in. What do
2 you consider a phase-in? A flash cut to 6.1 is a
3 phase-in?

4 A. Well, first of all --

5 COMMISSIONER SCHOENFELDER: Define the word
6 for me.

7 A. I don't know that the word phase-in is
8 definable. I mean we've jacked around about that for
9 the last four months. I believe that the last time the
10 rate was in the last study was designed to be 6.7. We
11 asked for the rate to go to 5.5. If somebody wants to
12 argue that isn't phase-in enough. I believe we're
13 entitled to 6.7 in the old cost study. We were at 3,
14 we asked to go to 5.5.

15 The argument was that the cost study wasn't
16 any good because it was too old and that the sale of
17 exchanges that occurred. So we agreed finally to file
18 a new cost study. Everybody has had ample opportunity
19 to be ready for that, and now that cost study comes in
20 at 6.6 or 6.7, adjusted by staff down to 6.1. And as
21 far as I'm concerned, we accept that. I'm tired of
22 talking about phase-in to these people because their
23 phase-in as AT&T is zero.

24 COMMISSIONER SCHOENFELDER: But I'm not
25 asking to you talk to these people. I'm asking you to

1 talk to me. Define for me what you can consider
2 phase-in to be. And I understand what the argument was
3 before, and I want to know what -- if I'm a consumer
4 out there who's going to be the end recipient of this
5 increase, or probably will be the end recipient of the
6 increase in switched access rates, I want to know how
7 I'm going to deal with phase-in as opposed to flash
8 cut.

9 A. Well, first of all, the customer in this case
10 is the interexchange carrier.

11 COMMISSIONER SCHOENFELDER: U S West
12 customer. But the end result is that will be passed on
13 to the consumer. At least, it's been in every other
14 case I've ever been involved in.

15 A. Well, they certainly haven't passed on the
16 decreases to their consumers so, and I think some of
17 them have indicated that they would probably average --
18 at least, I think that's what Sprint indicated. I
19 can't speak to what they may or may not do, but I do
20 know this: That if we don't recover the full cost of
21 switched access, if somehow we change the rules so that
22 we take it away from switched access, what I know is
23 that ultimately U S West is going to be forced to apply
24 that cost to the residential and business local
25 customer because that's the only other customer that

1 uses the local Loop.

2 COMMISSIONER SCHOENFELDER: If you're allowed
3 under the new Act to make yourself whole, is that not
4 true?

5 A. I don't want to get into an argument or
6 discussion about it.

7 COMMISSIONER SCHOENFELDER: No. But the fact
8 is if you're allowed to make yourself whole, you could
9 ask the Commission to do that?

10 A. I would expect that my company would ask to
11 do that as long as this Commission expects me to
12 provide what I have heard people call a monopoly
13 service in South Dakota. I have to provide the
14 service. I have to provide switched access. And as
15 long as I have to do that, I believe this Commission
16 has an "obligation" to make me whole.

17 COMMISSIONER SCHOENFELDER: Okay. Thank
18 you.

19 THE CHAIRMAN: Any redirect?

20 MR. WELK: Nothing.

21 THE CHAIRMAN: Okay. I think you're done.
22 Thank you, Mr. Lehner.

23 Any other rebuttal witnesses?

24 MR. HEASTON: No, sir.

25 THE CHAIRMAN: Does this prompt anything by

ATAT?

MR. LOVALD: No. Mr. Chairman.

THE CHAIRMAN: Okay. Any closing statements? I guess we're done with the witnesses and the testimony. Any closing statements by anybody?

MR. HEASTON: The only closing statement we would have for the Commission is that I think we've presented the case that establishes that the cost study was done in compliance with the Commission's rules; that the price that of 6.15 cents is consistent with the correct application of those rules. And given the that fact, and given the regulatory environment that the Commission and the statute and the rules put switched access in, that the 6.15 cents price should be approved.

THE CHAIRMAN: Any closing statements by any other party? Mr. Lovald.

MR. LOVALD: Mr. Chairman, and I hope this will shorten things up. It's my been my experience in past dockets that the parties are allowed to submit briefs to the Commission once the transcript has been made available. I think there are a number of issues that have been raised in this proceeding.

Rather than belabor any of those points in final argument, I would simply request of the

1 Commission an opportunity to submit written comments to
2 the Commission summarizing our position at the time the
3 transcript becomes available and leave it at that.

4 THE CHAIRMAN: We are going to make up the
5 briefing schedule next after closing statements.
6 Anybody else? Mr. Hoseck, as Commission counsel, why
7 don't you go ahead with the briefing schedule.

8 MR. HOSECK: I think we could go off the
9 record for a moment, please.

10 (Off the record discussion.)

11 THE CHAIRMAN: Go ahead and put the briefing
12 schedule on the record.

13 MR. HOSECK: The briefly schedule will be as
14 follows: The transcript will be available October 16.
15 U S West's Brief and Proposed Findings and Conclusions
16 would be due October 30. Reply briefs of staff and
17 intervenors and Proposed Findings and Conclusions are
18 appropriate November 13th. Rebuttal briefs would be
19 due November 20. And all late-filed exhibits should be
20 filed with the Commission by October 16.

21 THE CHAIRMAN: Any questions about the
22 briefing schedule? If not, thank you all very much.
23 This hearing is now adjourned.

24 (THE HEARING CONCLUDED AT 12:10 P.M.)
25

STATE OF SOUTH DAKOTA)

)

COUNTY OF HUGHES)

I, Lori J. Grode, RMR, a Notary Public in and for the County of Hughes and State of South Dakota, do hereby certify that the above hearing, pages 1 through 374, inclusive, was recorded stenographically by me and reduced to typewriting by me.

I FURTHER CERTIFY that the foregoing transcript of the said hearing is a true and correct transcript of the stenographic notes at the time and place specified hereinbefore.

I FURTHER CERTIFY that I am not a relative or employee or attorney or counsel of any of the parties, nor a relative or employee of such attorney or counsel, or financially interested directly or indirectly in this action.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of office at Pierre, South Dakota, this 16th day of October, 1996.

Lori J. Grode
Lori J. Grode, RMR
Registered Merit Reporter
Notary Public

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

RECEIVED

JUN 12 1995

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

IN THE MATTER OF THE PETITION OF)
U S WEST COMMUNICATIONS, INC., TO)
HAVE ITS NONCOMPETITIVE SERVICES)
REGULATED AS PROVIDED FOR IN)
SDCL § 49-31-4.1.)

DOCKET NO. TC94-121

STIPULATION AND AGREEMENT

U S WEST Communications, Inc., ("U S WEST") and the Staff of
the Commission ("Staff"), collectively referred to as the
"Parties", respectfully submit this Stipulation and Agreement
(Stipulation) for approval by the Commission, pursuant to ARSD
20:10.01:20.

RECITALS

1. On December 28, 1994, U S WEST filed its application in
this docket seeking to change the way the prices of its
noncompetitive services are regulated. The underlying authority
for the Commission to approve price regulation, as opposed to
rate of return regulation, is SDCL 49-31-4.1.

2. SDCL 49-31-4.1 allows U S WEST to petition for an
investigation of price regulation for noncompetitive services
where price regulation will have a positive effect on universal
service and be more reasonable and fair than rate of return
regulation. Universal service is defined in SDCL 49-31-1(11) as

service which is efficient and available to all customers through adequate facilities and at a reasonable price.

3. Rate of return regulation is defined in SDCL 49-31-1(8) as a procedure used by the Commission to approve a charge for the service which balances the customer's need for adequate service with U S WEST's need to cover expenses and earn a reasonable rate of return on its investment. Price regulation is defined in SDCL 49-31-1.4 as being a form of regulation other than rate of return regulation which takes into consideration the pricing of alternatives, market for a service, affordability of universal service, and the fully allocated cost of providing the service.

4. Rate of return/rate base regulation is designed to measure appropriate costs of providing service. The costs of service are determined on an aggregate basis, and then allocated to service units. Prices based solely on cost of service/rate of return offer little pricing flexibility. In markets tending toward competition, pricing flexibility enables a variety of both direct and indirect customer benefits.

5. This Stipulation will result in a price ceiling for residential basic local exchange service below the fully allocated cost of that service (by both U S WEST's or the Staff's calculation). For that reason alone, this price regulation plan

offers more customer benefit than pricing based upon strict rate of return regulation of noncompetitive services. In comparison, flexible pricing should be more beneficial for provision of universal service.

6. Competition in the local market occurs today in many markets around the United States and is reasonably expected to occur in South Dakota markets in the near future. Preparatory to the advent of that competition, U S WEST needs regulatory flexibility in pricing between long run incremental cost and a ceiling established through regulatory oversight. That flexibility is not present in traditional rate of return regulation. Pricing flexibility, as described in this paragraph, will allow U S WEST to compete on the basis of price and will encourage continued U S WEST investment in facilities and services to meet customer expectations.

7. The telecommunications market is determined by technology - its sophistication and continued rapid development and change. U S WEST must be allowed to recognize the enormous impact of technology on its service by being able to recover the capital invested in necessary technology - in a manner similar to any other competitive entity - using generally accepted accounting principles. The recovery of capital costs through the

recognition of reasonable economic lives will foster the continued development of necessary technology and will provide an incentive for U S WEST and its shareholders to invest in that developing technology.

8. Essential to the implementation of any pricing plan for U S WEST is the assurance that it will have a positive impact on universal service. A key goal of universal service is the availability and affordability of quality residential basic local exchange telecommunications service. This plan grants pricing flexibility, below a cost of service ceiling, for basic local exchange service. This fact alone dictates universal service benefits accruing from adoption of an agreed to form of price regulation.

WHEREFORE, the Parties now agree and stipulate as follows:

AGREEMENT

9. The prices of U S WEST's services which are classified as noncompetitive pursuant to SDCL 49-31-1.1 shall not be solely determined (for other than a ceiling) by rate of return regulation, but as set out in the following paragraphs.

10. The prices for the following services will be determined by this price regulation plan:

a. Business and residential local exchange service;

- b. Switched access services;
- c. Emergency telecommunications services (i.e. 911 and E911);
- d. All other currently classified noncompetitive services; and
- e. All future noncompetitive services if so ordered by the Commission.

11. For purposes of this price regulation plan, prices for residence and business basic local exchange and switched access services will have a price ceiling. U S WEST will have the ability to flexibly price these noncompetitive services under the applicable price ceiling as described in this Stipulation, consistent with the provisions of SDCL 49-31-1.4, 49-31-4, 49-31-12, 49-31-12.2 and 49-31-12.4.

12. U S WEST shall be allowed to account for the recovery of its capital investment as agreed upon within this settlement.

13. For purposes of this price regulation plan, the following pricing will be applied to residential basic local exchange service:

- a. No sooner than thirty days after the effective date of the Commission's order approving this stipulation, U S WEST

may institute a price increase of up to \$2.10 per line per month, which includes a portion of the charge for touch-tone service as agreed to paragraph 13(g), below, in recognition of the need to more closely match prices with costs. U S WEST may flexibly price residential basic local exchange service at or below such price, but may not exceed that price for period of eighteen months. A comparable price increase for measured service will also be filed;

b. After this eighteen month period, U S WEST may flexibly price residential basic local exchange service at or below an additional \$2.10 per line per month (with a comparable pricing change being applied to measured residential service), which again includes a portion of the charge for touch-tone service, if the resultant price does not exceed the price ceiling as specified within this settlement. This price, once instituted shall not be exceeded for eighteen months;

c. After expiration of the eighteen month period in 13(b), U S WEST may price basic local exchange service at or below \$19.00 per line per month; except that measured and 2 and 4-party service will be comparably priced less than the price ceiling stated in this paragraph;

d. The price ceiling of \$19.00, as stated in paragraph 13c, above, is less than the fully allocated cost determined by using the cost allocation study provided annually to the Commission as adjusted by the cost of service study provided to the Commission by U S WEST;

e. The price ceiling stated in paragraph 13c, above, may be adjusted as provided for in paragraph 19 of this Stipulation, except that no adjustment to the price ceiling shall exceed \$2.10 per line per month in any eighteen month period;

f. As provided for in SDCL 49-31-11 and 49-31-12, U S WEST may provide selective price discounts and/or decreases reasonably related to competitive market demands and other relevant considerations; and

g. Paragraphs 13(a), 13(b), and 13(c), above, include the effect of incorporating touch-tone service and charges into the basic monthly rate.

14. The following conditions apply to the pricing of business basic local exchange services;

a. No sooner than thirty days after the effective date of the Commission's order approving this Stipulation, U S

WEST may increase its price for business local exchange service up to \$2.40 per line per month which includes the effect of incorporating touch-tone service and a portion of the charges into the basic monthly rate;

b. No additional price increases for eighteen months after the effective date of the price increase stated in paragraph 14a, above;

c. After expiration of the eighteen month period in 14b, U S WEST may increase the price of business basic local exchange service by \$.90 per line per month to complete the inclusion of touch-tone charges and service in the basic rate. From the effective date of this price increase, U S WEST may price business basic local exchange service at or below \$36.00 per line per month, which is the ceiling price; and

d. As provided for in SDCL 49-31-11 and 49-31-12, U S WEST may provide selective price discounts and/or decreases reasonably related to competitive market demands and other relevant considerations.

15. The price ceiling for switched access services will be determined by using the switched access rules found in ARSO

20:10:27 through 20:10:29. Price changes will be consistent with the requirements of SDCL 49-31-1.4, 49-31-4, 49-31-12, 49-31-12.3 and 49-31-12.4, and the order in Docket No. TC93-100.

16. All of the price changes, including the price ceilings, reflected in paragraphs 13 through 15 of this Stipulation, will be reflected in tariffs filed within thirty days of the Commission's order approving the Stipulation. The prices and price ceilings can be changed only as provided for in this Stipulation, and after notice to the Commission and to the public as required by statute.

17. U S WEST agrees to an aggressive program of investment in network infrastructure. The specifics of this plan are included as Attachment A to this Stipulation.

18. The Parties agree, except as provided for below, that this price regulation plan should remain in effect until such time as the Parties shall mutually agree to its termination, revision or amendment. Either U S WEST or the Staff may unilaterally terminate this price regulation plan if any authority of the Commission necessary for the effective administration of this Stipulation are preempted by federal legislation or federal regulatory order or rule; or by any order

of the Commission that substantially alters the pricing flexibility provided for in this Stipulation. U S WEST and the Staff also agree that this price regulation plan is affected by the sale of exchanges by U S WEST to multiple buyers (Docket No. TC94-122). The prices and price ceilings proposed in this plan will apply initially only to those exchanges which are not a part of the sale of exchanges. Thereafter, at the conclusion of the sale process, including the order of this Commission, the approvals of the Federal Communications Commission, and any appeals therefrom, the plan and implementing tariffs shall then prospectively apply to any exchange not approved for sale. The Parties anticipate that the effective date of the implementing tariffs for the exchanges not a part of the sale will be no later than October 1, 1995.

19. Notwithstanding any price ceilings stated in this Stipulation and as approved by Commission order, the Commission, on its own motion, or U S WEST by application, may seek to investigate and adjust applicable price ceilings for substantial cost impacts caused by a change in taxes or other governmental actions beyond the control of U S WEST, a change in business scope, or any event or series of events which cause the fully allocated cost studies, either relied on in this docket or in

general, to be of little or no value for establishing price ceilings.

20. In support of the implementation and operation of the plan the following reports will be filed by U S WEST with the Commission:

a. Annually:

1. Output from the Cost Accounting Allocation (CAAG) financial results per agreement in Docket Nos. F-3848, F-3849 and F-3850.
2. ARMIS Joint Cost Report (FCC Report 43-03).
3. Telephone square miles served.

b. Quarterly:

1. ARMIS Quarterly Report (FCC Report 43-01).
2. Access Line data by central office (currently MR-7).
3. Telephone Plant Under Construction (currently MR-2C).

c. Monthly:

1. Income Statement (from the total state ledger (unadjusted) currently the MR-1).
2. Summary of Operating Revenues (currently the MR-4).
3. Summary of Operating Expenses (currently the MR-5).
4. Minutes and Message data (currently the MA-9).

5. Depreciation Reserve Analysis (currently the MA-16).
6. Construction Expenditures (currently the MR-121).
7. South Dakota based employee count by management and craft.

GENERAL PROVISIONS

21. The Parties agree that the price regulation plan outlined in this Stipulation is just and reasonable. It balances the need for affordable and efficient service, U S WEST's need for pricing flexibility to meet the rapid changes in technology and competition, and it recognizes the Commission's need for cost of service scrutiny of any established ceiling.

22. The price ceiling, which is the maximum price level employed within this plan and upper limit to any U S WEST discretionary pricing decisions (subject to modifying and controlling the terms of this settlement), is calculated based upon cost of service review and Commission cost of service precedent. The price ceiling is directly comparable to a cost of service/rate of return/rate base-determined rate. The direct ratepayer effect of this plan will therefore be a benefit, when prices are below the ceiling, of having the prices flexed below those determined by strict cost of service guidelines.

23. The Parties acknowledge and agree that this Stipulation is a compromise of the positions which would be asserted if the matter is litigated. Accordingly, evidence of conduct or statements made in negotiations and discussions in connection with this Stipulation shall not be admissible in any proceeding.

24. This Stipulation shall not become effective and shall be of no force and effect until the Commission issues a final order accepting and approving this Stipulation.

25. The Parties have entered into this Stipulation as an integrated document and urge the Commission to adopt it in its entirety. Accordingly, in the event any part or all of this Stipulation is modified or rejected by the Commission, each party reserves the right, upon written notice to the Commission and all other parties within five (5) days of the effective date of the final written Commission order, to withdraw from this Stipulation without being bound by its terms in this or any other proceeding. Any party that elects to withdraw shall be entitled to proceed with all its rights, claims and defenses, and shall not otherwise be prejudiced by the terms of this Stipulation.

26. The Parties agree that this Stipulation establishes no precedent.

27. It is understood that Staff enters into this Stipulation for the benefit of U S WEST's South Dakota telecommunications customers,

28. The Parties submit this Stipulation and request that the Commission issue its decision accepting this Stipulation without modification.

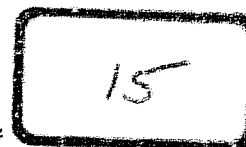
DATED this 12th day of June, 1995.

U S WEST Communications, Inc.

by [Signature]
its [Signature]

Commission Staff

by [Signature]
its Director: Fred Utthman Jr.



**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA**

IN THE MATTER OF THE PETITION OF U S WEST)	ORDER GRANTING
COMMUNICATIONS, INC. TO HAVE ITS)	APPROVAL OF STIPULATION
NONCOMPETITIVE SERVICES REGULATED AS)	AND ADDENDUM
PROVIDED FOR IN SDCL 49-31-4.1)	TCM-121

On December 28, 1994, U S WEST Communications (U S WEST) filed with the Public Utilities Commission (Commission) a Petition Pursuant to SDCL 49-31-4.1 and Attachment A entitled Memorandum in Support of Petition. SDCL 49-31-4.1 provides for public hearings to investigate methods of price regulation for noncompetitive services. In its memorandum, U S WEST stated that it "seeks to have all of its noncompetitive services price regulated. That would include residential, business and agnbusiness local exchange service, emergency services, switched access services, and any services which would be covered by the catchall provision of SDCL 49-31-1.1(6), or which may be reclassified as noncompetitive pursuant to SDCL 49-31-3.4."

On December 29, 1994, the Commission faxed notice of the filing and the intervention deadline of January 18, 1995, to interested individuals and entities. The Commission received petitions to intervene from Dakota Cooperative Telecommunications, Inc. (DCT), the South Dakota Independent Telephone Coalition, Inc. (SDITC), MCI Telecommunications Corporation (MCI), Midco Communications (Midco), LDDS, TeleTech, TCIC, FirstTel, Tel Serv, AT&T Communications of the Midwest, Inc. (AT&T), and from the following South Dakota Radio Common Carriers: Pierre Radio Paging & Telephone, Inc., Vantek Communications, Inc., B & L Communications, Mitchell Two Way Radio, Nelson Electronics, Inc., Booker Communications, Dakota Electronics, Flees Communications, A & M Radio, Inc., Frey's Electronics, and Minnark Communications [hereinafter referred to as Common Carriers].

At its regularly scheduled January 24, 1995, meeting, the Commission considered the Petitions to Intervene, the setting of a procedural schedule, and requirement of a deposit. The Commission found that all of the Petitions to Intervene were timely filed and demonstrated good cause for granting intervention. The Commission then directed the Executive Director to set a procedural schedule. The Commission voted to require U S WEST to make a deposit not to exceed \$75,000 in amounts as directed by the Executive Director.

Commission Staff and U S WEST entered into a Stipulation and Agreement which was filed on June 12, 1995.

A hearing on the Stipulation was held at 1:00 p.m. on Monday, August 14, 1995, in Room LCR-1 of the State Capitol Building in Pierre. At the hearing, U S WEST introduced a petition from the South Dakota Independent Telephone Coalition (SDITC), an intervenor in this docket, in which SDITC stated its intention to withdraw its intervention in this docket. At its August 23, 1995, meeting, the Commission, pursuant to ARSD 20:10:01:02.04, granted SDITC's request to withdraw its intervention.

On September 19, 1995, at its regularly scheduled meeting, the Commission considered whether to approve the Stipulation. Chairman Stofferahn moved to defer action regarding the Stipulation. Commissioner Burg made a substitute motion to reject the proposed Stipulation that had been presented to the Commission by Staff and U S WEST. This motion died for lack of a second. Commissioner Schoenfelder then made a substitute motion to reject the proposed Stipulation and go to hearing. That motion died for lack of a second. Commissioner Burg seconded Chairman Stofferahn's original motion to defer and directed Staff to prepare service quality standards. Commissioner Schoenfelder dissented. The Commission ordered a 60 day time frame for preparation of service quality standards.

On December 18, 1995, Staff and U S WEST filed with the Commission an Addendum to Original Stipulation and Agreement, a Stipulation and Agreement As To Service Quality Standards with attached Exhibit A, and two Staff Memorandums. On December 27, 1995, at a duly noticed ad hoc meeting, the Commission considered whether to approve the Addendum to Original Stipulation and Agreement, and the Stipulation and Agreement As To Service Quality Standards with attached Exhibit A.

Staff and representatives from U S WEST answered the Commission's questions regarding the above mentioned documents. Commissioner Burg moved to amend Exhibit A to a cap of 25% for missed commitments under the Provisioning of Service Standard. U S WEST would not be allowed a second increase, including the 60 cents for touch tone service, if it failed to meet this criteria. This motion died for lack of a second.

Commissioner Schoenfelder moved to adopt the Stipulation and Agreement filed on June 12, 1995, subject to the following:

- 1.) Adopt the Addendum to Original Stipulation and Agreement filed with the Commission on December 18, 1995,
- 2.) Reject the Stipulation and Agreement As To Service Quality Standards with attached Exhibit A, filed with the Commission on December 18, 1995, and
- 3.) Review U S WEST's performance of service quality standards at the end of 12 months following the effective date of the increase. Based upon the Commission's investigation of U S WEST's performance, the second increase, scheduled to be implemented at the end of 18 months from the first increase, may be delayed or rejected.

Chairman Stofferahn seconded the motion. Commissioner Burg concurred.

The Commission having considered the Petition and Memorandum in Support of Petition, the evidence introduced at the hearing, the Addendum to Original Stipulation and Agreement, the Stipulation and Agreement As To Service Quality Standards with attached Exhibit A, two Staff Memorandums, the arguments of counsel, and being fully advised on the premises, now makes and enters its Findings of Fact and Conclusions of Law as follows:

FINDINGS OF FACT

I.

On December 26, 1994, U S WEST filed with the Commission a Petition Pursuant to SDCL 49-31-4.1 and Attachment A entitled Memorandum in Support of Petition.

II.

SDCL 49-31-4.1 states as follows:

The commission shall, on its own motion or upon petition, hold public hearings investigating methods of price regulation consistent with § 49-31-1.4 and chapter 1-26. Within thirty days of its receipt of a petition filed pursuant to this section, the commission shall issue a procedural schedule setting forth dates by which written direct testimony or data shall be filed and ordering the date for commencement of a hearing.

If the investigation indicates that pricing regulation is appropriate for any noncompetitive service because such regulation has a positive impact on universal service and is more reasonable and fair than rate of return regulation, the commission may adopt pricing regulation for any such noncompetitive service.

III.

On December 29, 1994, the Commission faxed notice of the filing and the intervention deadline of January 18, 1995, to interested individuals and entities.

IV.

The Commission received petitions to intervene from Dakota Cooperative Telecommunications, Inc. (DCT), the South Dakota Independent Telephone Coalition, Inc. (SDITC), MCI Telecommunications Corporation (MCI), Midco Communications (Midco), LDDS, TeleTech, TCIC, FirstTel, Tel Serv, AT&T Communications of the Midwest, Inc. (AT&T), and from the following South Dakota Radio Common Carriers: Pierre Radio Paging & Telephone, Inc., Vantek Communications, Inc., B & L Communications, Mitchell Two Way Radio, Nelson Electronics, Inc., Booker Communications, Dakota Electronics, Reas Communications, A & M Radio, Inc., Frey's Electronics, and Milbank Communications [hereinafter referred to as Common Carriers].

V.

At its regularly scheduled January 24, 1995, meeting, the Commission found that all of the Petitions to Intervene were timely filed and demonstrated good cause for granting intervention.

VI.

Commission Staff and U S WEST entered into a Stipulation and Agreement which was filed on June 12, 1995.

VII.

A hearing on the Stipulation and Agreement was held on August 14, 1995. Of the intervenors only AT&T and DCT chose to participate in the hearing. MCI, Medco, LDOS, TeleTech, TCIC, FirstTel, Tel Serv and the Common Carriers chose to monitor the case and SDITC filed a Withdrawal of Intervention which was granted by the Commission on August 23, 1995.

VIII.

The test year employed for this filing was 1993.

IX.

U S WEST has not had a general rate increase since 1985. Traditional ratemaking mandates that U S WEST be allowed to recover its cost of service as soon as current revenues are determined insufficient.

X.

U S WEST has shown that current rates for residence basic local service are inadequate for recovery of cost of service.

XI.

Under traditional rate of return regulation, depreciation expense is a large part of the cost of service.

XII.

A significant portion of the increased capital recovery (depreciation) will be expensed with no corresponding reimbursement by U S WEST customers.

XIII.

The Stipulation and Agreement "rolls in" the cost of touch tone service into the basic monthly rate. This will eliminate the current separate charge of \$1.50 per month for residence customers and \$2.00 for business customers.

XIV.

Approximately 70% of telecommunications customers pay for touch tone service.

XV.

On December 18, 1995, Staff and U S WEST filed an Addendum to Original Stipulation and Agreement. The purpose of the Addendum was to clarify how the Outside the Base Rate Area (OBRA) charges would be handled pursuant to the Stipulation and Agreement filed on June 12, 1995.

XVI.

OBRA charges are those added to the basic local service rate which range from an additional \$2.10 per month for four party service, \$2.25 for two party service, and \$3.00 for single party service.

XVII.

Staff and U S WEST agree to eliminate all OBRA charges to the local monthly billing.

XVIII.

The elimination of the OBRA charges requires a shift of the related revenue requirement.

XIX.

The revenue requirement will be allocated to all residential and business customers resulting in a charge of \$.35 per line per month increasing the ceiling to \$19.35 for residence basic local service and \$38.40 for business basic local service.

XX.

The effect of this change is that those single party residential customers located outside the base rate area who are charged an additional \$3.00 per month will actually see a decrease of \$.55 when U S WEST implements its rate increase of \$2.45. Single party residential customers located outside the base rate area with touch tone service will receive a total bill decrease of \$2.05 due to the elimination of the \$1.50 touch tone charge. Residential customers located in the base rate area will receive an increase of \$2.45. Residential customers located in the base rate area with touch tone service will receive a total bill increase of \$.95 due to the elimination of the \$1.50 touch tone charge.

XXI.

The Stipulation and Agreement cost of service reflects an 11.5% return on equity applied to a capital structure with less than a 60% equity ratio.

XXII.

Switched access rates will continue to be limited by a ceiling determined by using the switched access rules currently in place.

XXIII.

That price regulation has a positive impact on universal service as the basic thrust of appropriately applied price regulation is to assure the availability of modern communication

services for all U S WEST customers while also providing protection against upward spiraling rates.

XXIV.

That the price of cellular service as an alternative to basic local service would be as much, if not more, than basic local service.

XXV.

That price regulation would permit U S WEST to have the flexibility to price its services to meet competition which benefits its customers.

XXVI.

In a competitive environment, price regulation allows pricing flexibility which results in more reasonable and fair rates.

XXVII.

U S WEST agrees to an aggressive program of investment in network infrastructure. The specifics are as follows:

Time Frame for Capital Deployment

	Capital Deployment	
	Begin	End
1. CLASS	1996	1997
2. Single Party Service	1998	2000
3. South Dakota Infrastructure Plan		
SMAS (Special Metallic Access Systems)	1998	1998
DACS (Digital Access & Cross Connect System)	1998	1999
SONET Multiplexers	1996	1998
Frame Relay	1996	1997
ATM Switches	1996	1997
Local Fiber Distribution	1996	1999
RSM (Remote Switch Modules)	1996	1997
Internet Service	1995	1996
4. Distance Learning	1996	1996

The estimated value of these investments is approximately \$25 million dollars.

XXVIII.

The Stipulation and Agreement and Addendum allows for a rate increase of \$2.45 for

services for all U S WEST customers while also providing protection against upward spiraling rates.

XXIV.

That the price of cellular service as an alternative to basic local service would be as much, if not more, than basic local service.

XXV.

That price regulation would permit U S WEST to have the flexibility to price its services to meet competition which benefits its customers.

XXVI.

In a competitive environment, price regulation allows pricing flexibility which results in more reasonable and fair rates.

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Frame Relay	1996	1997
ATM Switches	1996	1997
Local Fiber Distribution	1996	1999
RSM (Remote Switch Modules)	1996	1997
Internet Service	1995	1996
4. Distance Learning	1996	1996

The estimated value of these investments is approximately \$25 million dollars.

XXVIII.

The Stipulation and Agreement and Addendum allows for a rate increase of \$2.45 for

residential basic local exchange service and a price ceiling of \$19.35 which is below the fully allocated cost of service for that service and an increase of \$2.75 for business basic local exchange service with a price ceiling of \$38.40.

XXIX.

That the price regulation plan applies only to the exchanges of U S WEST which are not a part of the sale of exchanges.

BASED on the foregoing Findings of Fact, the Commission now makes the following:

CONCLUSIONS OF LAW

I.

The Commission has jurisdiction over this matter pursuant to SDCL Chapters 1-26 and 49-31, specifically 1-26-17 through 1-26-25 inclusive, 49-31-1.1, 49-31-1.4, 49-31-2, 49-31-3.1, 49-31-4, 49-31-4.1, 49-31-5, 49-31-7, 49-31-7.1, and 49-31-12.

II.

That the Findings of Fact set forth above have been established by plain, clear, and convincing evidence.

III.

The Commission finds that upon investigation of the approved price regulation plan, that it is more appropriate as a form of regulation for services which are classified as noncompetitive but which are moving toward competition than is the current rate of return regulation. This price regulation plan should have a positive impact on universal service and should be more reasonable and fair than rate of return regulation.

Pursuant to SDCL Chapter 1-26, the Commission hereby enters its final decision in this matter. It is therefore

ORDERED that the Stipulation and Agreement with Attachment A filed on June 12, 1995, and the Addendum to Original Stipulation and Agreement filed on December 18, 1995, both of which are incorporated herein by this reference, shall be approved as filed; it is further

ORDERED that the Commission shall review U S WEST's service quality performance at the end of 12 months following the effective date of the increase. Based upon the Commission's approval of U S WEST's performance, the proposed second increase may be implemented at the end of 18 months from the first increase; it is further

ORDERED that based upon the Commission's approval of U S WEST's performance, the proposed third increase may be implemented at the end of 36 months from the effective date of the first increase; it is further

ORDERED that the technologies found in Finding of Fact XXVII shall be deployed within the time frames as set forth in Finding of Fact XXVII unless the Commission otherwise orders; and it is further

ORDERED that the Stipulation and Agreement As To Service Quality Standards with attached Exhibit A is hereby rejected and Docket TC94-121 is hereby closed.

Pursuant to SDCL 1-26-32, this Order Granting Approval of Stipulation and Addendum becomes effective 10 days after the date of receipt or failure to accept delivery of the decision by the parties.

PLEASE TAKE NOTICE that this Order Approving Stipulation and Addendum in Docket TC94-121 was duly entered on the 8th day of January, 1996, and filed in the Commission's docket.

Dated at Pierre, South Dakota, this 8th day of January, 1996.

<p align="center">CERTIFICATE OF SERVICE</p> <p>The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.</p> <p>Sr: <u>Hilma K. Kado</u></p> <p>Date: <u>1/8/96</u></p> <p align="center">(OFFICIAL SEAL)</p>
--

BY ORDER OF THE COMMISSION:

Kenneth Stofferahn
KENNETH STOFFERAHN, Chairman

James A. Burg
JAMES A. BURG, Commissioner

Laska Schoenfelder
LASKA SCHOENFELDER, Commissioner

USWEST COMMUNICATIONS @

OLIVER LOVELL

BILL DATE:

SEP 25 1996

ACCOUNT NUMBER:

605 224-8853

PAGE

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• LONG DISTANCE CALLS

	NO.	TIME	PLACE	AREA-NUMBER	*	MIN	T
SEP	6 1.	1202PM	TO MITCHELL SD	605 996	D	1.5	A
SEP	6 2.	1242PM	TO PRESNO SD	605 895	D	1.5	A
SEP	6 3.	118PM	TO RAPID CITY SD	605 787	D	13.3	A
SEP	6 4.	133PM	TO HURON SD	605 352	D	2.7	A
SEP	6 5.	144PM	TO HURON SD	605 352	D	5.9	A
SEP	6 6.	152PM	TO RAPID CITY SD	605 787	D	4.5	A
SEP	6 7.	158PM	TO HURON SD	605 352	D	1.6	A
SEP	6 8.	210PM	TO HURON SD	605 352	D	1.4	A
SEP	6 9.	230PM	TO SIOUX FLS SD	605 338	D	1.3	A
SEP	6 10.	233PM	TO SIOUX FLS SD	605 332	D	1.5	A
SEP	6 11.	239PM	TO BISON SD	605 244	D	2.8	A
SEP	6 12.	248PM	TO BUFFALO SD	605 375	D	2.3	A
SEP	6 13.	254PM	TO HARROLD SD	605 875	D	2.6	A
SEP	6 14.	320PM	TO RAPID CITY SD	605 787	D	2.7	A
SEP	6 15.	414PM	TO SIOUX FLS SD	605 338	D	2.3	A
SEP	6 16.	417PM	TO WESTGNSPG SD	605 539	D	1.1	A
SEP	7 17.	1020AM	TO ABERDEEN SD	605 225	N	1.6	A
SEP	7 18.	1048AM	TO WESTGNSPG SD	605 539	N	1.4	A
SEP	9 19.	848AM	TO PRESNO SD	605 895	D	5.1	A
SEP	9 20.	943AM	TO RAPID CITY SD	605 343	D	1.5	A
SEP	9 21.	944AM	TO RAPID CITY SD	605 343	D	1.3	A

(TOTAL FOR 605 224-0076

(TOTAL DOES NOT INCLUDE CALLING PLAN CALLS)

DETAIL OF ITEMIZED CALLS

605 224-8853

CALLS ELIGIBLE FOR BUSINESS DAYTIME CONNECTION PLUS

SEP	6 22.	154PM	TO SIOUX FLS SD	605 336-2880	D	1.9	A
SEP	6 23.	155PM	TO ABERDEEN SD	605 229-0580	D	1.5	A

(TOTAL FOR 605 224-8853

(TOTAL DOES NOT INCLUDE CALLING PLAN CALLS)

DETAIL OF ITEMIZED CALLS

605 224-8854

CALLS ELIGIBLE FOR BUSINESS DAYTIME CONNECTION PLUS

SEP	5 24.	243PM	TO ABERDEEN SD	605 225-	D	3.6	A
SEP	6 25.	1242PM	TO MITCHELL SD	605 996-	D	1.6	A
SEP	6 26.	134PM	TO MITCHELL SD	605 996-	D	1.3	A
SEP	6 27.	149PM	TO MITCHELL SD	605 996-	D	5.9	A
SEP	6 28.	156PM	TO MITCHELL SD	605 996-	D	2.4	A
SEP	6 29.	224PM	TO RAPID CITY SD	605 787-	D	4.8	A
SEP	6 30.	239PM	TO HARROLD SD	605 875-	D	9.4	A
SEP	6 31.	300PM	TO MURDO SD	605 669-	D	1.3	A

(TOTAL FOR 605 224-8854

FOR U.S. WEST COMMUNICATIONS

QUESTIONS CALL 1-800-603-6000 (NO CHARGE)

935

SOUTH DAKOTA TARIFF NO. 1
ACCESS SERVICE

SDN, Inc.

This Revised Page 100
Cancels 1st Revised Page 100

6. Switched Access Service (Cont'd)

6.8 Rates and Charges

6.8.1 Centralized Equal Access Service Rate
Per Access Minute \$0.0005 (EE)

6.8.2 Network Blocking Rate
Per Call Blocked \$0.0271

6.8.3 Switched Transport Rate
Per Access Minute \$0.0014 (EE)

6.8.4 Interim NXX Translation Rate
Per Office \$100.00

Issued: May 9, 1994

Effective: July 1, 1994

By: James E. Nielson
President
2900 West 10th Street
Sioux Falls, South Dakota 57104

TC93-087
831

17

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF SOUTH DAKOTA

**IN THE MATTER OF THE)
ESTABLISHMENT OF SWITCHED ACCESS)
RATES FOR U S WEST COMMUNICATIONS.)**

**ORDER APPROVING
SETTLEMENT
AGREEMENT**

TC93-108

Pursuant to ARSD Chapters 20:10:27 to 20:10:29, inclusive, telecommunications companies which provide switched access services must file company-specific, cost-based intrastate switched access rates with the Public Utilities Commission (Commission). By Order dated February 4, 1993, in Docket RM92-001, the Commission required the companies to file their initial switched access rates, or petition for an extension, on or before July 1, 1993. By Order dated July 2, 1993, the Commission extended the filing deadline to July 26, 1993.

On July 26, 1993, U S West Communications (USWC) filed with the Commission a Petition for Extension of Time requesting that it be allowed until August 9, 1993, to file its initial switched access rates. By Order dated August 31, 1993, the Commission granted USWC's request for an extension of time.

On August 3, 1993, USWC filed its intrastate switched access filing. The filing consisted of a fully distributed cost study based on ARSD Chapters 20:10:27 to 20:10:29, inclusive, back-up documentation, the resulting switched access rates, and a proposal for phasing in the new access charges. The filing was based on a 1992 intrastate test period with a rate of return of 10.79%, using a cost of debt of 7.20% and a cost of equity of 13.20%. USWC asked that the rates be phased in pursuant to ARSD 20:10:27-20. On August 5, 1993, the Commission faxed notice of the filing and the intervention deadline of August 20, 1993, to interested individuals and entities. By Order dated August 13, 1993, the Commission issued a Protective Order as requested by USWC.

On August 6, 1993, the Commission received a Petition to Intervene from Dakota Cooperative Telecommunications, Inc. (DCT). On August 19, 1993, the Commission received a Petition to Intervene from South Dakota Independent Telephone Coalition, Inc. (SDITC). On August 20, 1993, the Commission received a Petition to Intervene from AT&T Communications of the Midwest (AT&T). By Order dated August 31, 1993, the Commission granted the Petitions to Intervene filed by DCT, SDITC, and AT&T.

By Order dated November 19, 1993, the Commission set a procedural schedule for the companies that filed switched access cost studies. The companies were divided into two groups. USWC was placed in Group II. The procedural schedule for Group II companies was set as follows:

EXHIBIT

937

18

herein by reference; and it is

FURTHER ORDERED, that USWC shall file its tariff 30 days after the effective date of this Order.

Dated at Pierre, South Dakota, this 30th day of March, 1994.

CERTIFICATE OF SERVICE	
The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.	
By	<u>Robert R. Zuhl</u>
Date	<u>3/30/94</u>
(OFFICIAL SEAL)	

BY ORDER OF THE COMMISSION

Laska Schoenfelder
LASKA SCHOENFELDER, Chairman

Kenneth Stofferahn
KENNETH STOFFERAHN, Commissioner

James A. Burg
JAMES A. BURG, Commissioner

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

RECEIVED
FEB 11 1994
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

IN THE MATTER OF THE ESTABLISHMENT)
OF SWITCHED ACCESS RATES FOR U S) TC93-108
WEST COMMUNICATIONS.)

STIPULATION AND AGREEMENT

On August 3, 1993, U S WEST Communications, Inc. (U S WEST) filed its switched access filing with the Commission. The filing consists of a fully distributed cost study based on ARSD Chapters 20:10:27 to 20:10:29, inclusive, back-up documentation, the resulting switched access rates, and a proposal for phasing in the new access charges.

On November 19, 1993, the Commission issued its procedural order setting March 8 and 9, 1994, as the hearing date for this docket. On January 7, 1994, the Commission, as required in the procedural order, held settlement and prehearing conferences in the docket. Although no settlements were suggested at that hearing, the Commission staff and representatives of U S WEST have continued to explore the potential for settlement.

It is the desire of U S WEST, the Commission staff, and the intervenors to reach an agreement on the issues pending before the Commission in this docket. Such an agreement will avoid costly and unnecessary litigation, and result in access prices which are fair and reasonable, consistent with the Commission's rules, and to the benefit of customers for switched access services.

Accordingly, U S WEST, the Commission staff, and the undersigned intervenors stipulate and agree as follows:

1. The overall composite rate to be charged by U S WEST for

either originating or terminating switched access service will be phased-in, and the first year phased-in rate will be \$0.0324 per minute of use. The allocation of this overall rate to the various elements of switched access (i.e. switching, transport and carrier common line charge) will be filed with the Commission in an appropriate tariff 30 days after the effective date of the Commission's order approving this stipulation. The resulting rates will be effective as approved by Commission order. This overall rate will be reviewed by the Commission at the end of one year from the effective date of the rate.

2. The rate of return on investment for U S WEST's intrastate switched access services is 9.7 percent. This rate of return applies to switched access services only.

3. This stipulation and agreement provides no precedent for, and has no direct effect on, any subsequent Commission investigation into the earnings of U S WEST. This stipulation and agreement is a settlement of disputed issues in this docket only.

4. U S WEST has filed to mirror a restructure of switched access transport as dictated by federal regulatory authorities. The filing is consistent with existing Commission orders. The Commission has docketed that filing as TC94-001. The rate structure filed in TC94-001 will remain in effect until the Commission orders otherwise. The rate structure will be an issue for Commission consideration and decision when U S WEST files the tariffs in response to the Commission's order approving this stipulation and agreement.

5. Commission rule ARSD 20:10:27:20 provides for a phase-in

of rates where there is a significant change in rates, and where such phase-in is in the public interest. The parties have agreed that this rule is applicable to U S WEST's filing in this case.

6. Any discussions concerning this stipulation and agreement between U S WEST and the Commission staff, and any intervenors in this docket, are considered to be confidential and cannot be introduced as evidence or for any purpose in any subsequent hearing in this docket or related dockets. Further, this is an agreement among the parties to resolve contested issues in this docket, which does not resolve these or similar issues in any future proceedings, or constitute precedent among the parties.

7. This agreement includes all terms of settlement and is submitted on the condition that in the event the Commission imposes any change in or condition to this agreement which is unacceptable to any party, this agreement shall be deemed withdrawn and shall not constitute any part of the record in this proceeding or any other proceeding or be used for any other purpose.

8. This stipulation and agreement may be executed in one or more identical counterparts and upon execution by the parties hereto, each executed counterpart shall have the same force and effect as an original instrument and as if all of the parties had signed the same instrument. Any signature page of the agreement may be detached from any counterpart of this agreement without impairing the legal effect of any signatures thereon, and may be attached to any counterpart of this agreement identical in form hereto but having attached to it one or more signature pages.

WHEREFORE, the parties have signified their agreement below

attached to any counterpart of this agreement identical in form hereto but having attached to it one or more signature pages.

WHEREFORE, the parties have signified their agreement below and represent that they are fully authorized to do so.

U S WEST Communications, Inc.
by 

Date: 2/11/94

Staff, South Dakota Public Utilities
Commission

by _____

Date: _____

South Dakota Independent Telephone
Coalition

by _____

Date: _____

MT&T Communications of the Midwest, Inc.

by _____

Date: _____

HCI Telecommunications, Inc.

by _____

Date: _____

Dial-Net, Inc.

by _____

Date: _____

Dakota Cooperative Telecommunications

by _____

Date: _____

and represent that they are fully authorized to do so.

U S WEST Communications, Inc.

by _____

Date:

Staff, South Dakota Public Utilities
Commission

by *Shirley J. [Signature]*

Date: 2/22/88

South Dakota Independent Telephone
Coalition

by _____

Date:

AT&T Communications of the Midwest, Inc.

by _____

Date:

MCI Telecommunications, Inc.

by _____

Date: .

Dial-Net, Inc.

by _____

Date:

Dakota Cooperative Telecommunications

by _____

Date:

Sprint

by _____

Date:

U S WEST Communications, Inc.

by _____

Date:

Staff, South Dakota Public Utilities
Commission

by _____

Date:

South Dakota Independent Telephone
Coalition

by *James E. [Signature]*

Date: 2-17-94

AT&T Communications of the Midwest, Inc.

by _____

Date:

MCI Telecommunications, Inc.

by _____

Date:

Dial-Net, Inc.

by _____

Date:

Dakota Cooperative Telecommunications

by _____

Date:

Sprint

by _____

Date:

and represent that they are fully authorized to do so.

U S WEST Communications, Inc.

by _____

Date:

Staff, South Dakota Public Utilities
Commission

by _____

Date:

South Dakota Independent Telephone
Coalition

by _____

Date:

AT&T Communications of the Midwest, Inc.

by Robert W. Smith

Date: Feb 10, 1994

MCI Telecommunications, Inc.

by _____

Date:

Dial-Net, Inc.

by _____

Date:

Dakota Cooperative Telecommunications

by _____

Date:

Sprint

by _____

Date:

and represent that they are fully authorized to do so.

U S WEST Communications, Inc.

by _____

RECEIVED
FEB 14 1994
Date: SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Staff, South Dakota Public Utilities
Commission

by _____

Date:

South Dakota Independent Telephone
Coalition

by _____

Date:

AT&T Communications of the Midwest, Inc.

by _____

Date:

W. Telecommunications, Inc.

by David D. [Signature]

Date: 2/14/94

Dial-Net, Inc.

by David D. [Signature]

Date: 2/14/94

Dakota Cooperative Telecommunications

by _____

Date:

Sprint

by _____

Date:

by _____

Date:

Staff, South Dakota Public Utilities
Commission

by _____

Date:

South Dakota Independent Telephone
Coalition

by _____

Date:

AT&T Communications of the Midwest, Inc.

by _____

Date:

MCI Telecommunications, Inc.

by _____

Date:

Dial-Net, Inc.

by _____

Date:

Dakota Cooperative Telecommunications

by Robert R. D. New

Date: February 8, 1984

Sprint

by _____

Date:

21. Based upon the evidence, the Commission finds that the gross receipts taxes paid by all of the acquiring companies will approximate the \$1.6 million previously paid by U S WEST. Exhibit 71, Attachment; Exhibit 166. Such amount of taxes, however, will be paid to school districts and not to counties and other taxing jurisdictions. Any tax losses suffered by any entity within an exchange are the result of tax distribution problems among taxing entities.

SWITCHED ACCESS RATES

22. The purchase agreement entered into between U S WEST and the Buyer required that intrastate access rates upon the closing of the sale be established at 7 cents per minute until May 1, 1997, or such other later date as the parties may mutually agree. Exhibit 33, Schedule 2.4, Subsection E.

23. Pursuant to SDCL 49-31-18 and 49-31-19 and ARSD Chapters 20:10:27 to 20:10:29, inclusive, switched access rates are established by the Commission. Thus, switched access rates cannot be contractually stipulated to by telecommunications companies without approval by the Commission.

24. A request was made by the Buyers at the final hearing pursuant to ARSD 20:10:27-02 to waive the Commission's switched access rules in determining the intrastate access rates to be charged by each Buyer.

25. Pursuant to ARSD 20:10:27-14, switched access rates are determined by the adoption of a historical test year. There will not be a historical test period upon which to base a cost study for intrastate switched access rate purposes pursuant to the Commission's regulations until after a period of 12 months.

26. The U S WEST cost-based switched access rate in the areas to be sold, pursuant to ARSD Chapters 20:10:27 to 20:10:29, inclusive, would be 6.7394 cents per minute as determined in Docket TC93-108. In the Matter of the Establishment of Switched Access Rates for U S WEST. In that docket, U S WEST was allowed to charge an interim rate of 3.14 cents per minute as a phased-in rate pursuant to ARSD 20:10:27-20.

27. The current intrastate switched access rates charged by some of the Buyers exceeds 10 cents per minute, which rates have been approved by the Commission in separate proceedings.

28. The Commission finds that an intrastate switched access rate of 7 cents per minute is a reasonable interim rate until May 1, 1997, and finds good cause to waive its switched access rules pursuant to 20:10:27-02.

29. The interexchange carriers who have objected to an intrastate switched access rate of 7 cents per minute which will be charged to them by the Buyer have failed to show that state-wide averaged toll rates will increase if the sale is approved. Thus, the 7 cents per minute intrastate switched access rate to be charged until May 1, 1997, should not adversely affect the public.

State of South Dakota

Issued: August 16, 1996

Effective: August 19, 1996

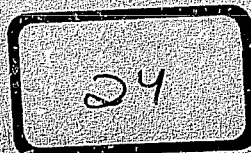
RATE MILEAGE	INITIAL PERIOD	Day		Evening		Night/Weekend	
		EACH ADD'L PERIOD	EACH ADD'L PERIOD	INITIAL PERIOD	EACH ADD'L PERIOD	INITIAL PERIOD	EACH ADD'L PERIOD
DIAL STATION SERVICE							
0- 10	\$.3000	\$.1800	\$.2400	\$.1440	\$.1800	\$.1080	
11- 16	.3800	.2000	.3040	.1600	.2280	.1200	
17- 22	.3900	.2200	.3120	.1760	.2340	.1320	
23- 30	.4300	.2400	.3440	.1920	.2580	.1440	
31- 40	.4500	.2600	.3600	.2080	.2700	.1560	
41- 55	.4800	.2900	.3840	.2320	.2880	.1740	
56- 85	.5100	.3200	.4080	.2560	.3060	.1920	
86-124	.5300	.3400	.4240	.2720	.3180	.2040	
125-244	.5400	.3600	.4320	.2880	.3240	.2160	
245-475	.5500	.3800	.4400	.3040	.3300	.2280	

CUSTOMER DIALED CALLING CARD STATION SERVICE - BILLED TO AN AT&T CIID/891
CARD

0- 10	.3000	.1800	.2400	.1440	.1800	.1080
11- 16	.3800	2000	3040	1600	2280	1200
17- 22	.3900	2200	3120	1760	2340	1320
23- 30	.4300	2400	3440	1920	2580	1440
31- 40	.4500	2600	3600	2080	2700	1560
41- 55	.4800	2900	3840	2320	2880	1740
56- 85	.5100	3200	4080	2560	3060	1920
86-124	.5300	3400	4240	2720	3180	2040
125-244	.5400	3600	4320	2880	3240	2160
245-475	.5500	3800	4400	3040	3300	2280

CUSTOMER DIALED CALLING CARD STATION SERVICE - BILLED TO A LOCAL EXCHANGE (C)
COMPANY CALLING CARD (C)

0- 10	.3000	.1800	.2400	.1440	.1800	.1080
11- 16	.3800	2000	3040	1600	2280	1200
17- 22	.3900	2200	3120	1760	2340	1320
23- 30	.4300	2400	3440	1920	2580	1440
31- 40	.4500	2600	3600	2080	2700	1560
41- 55	.4800	2900	3840	2320	2880	1740
56- 85	.5100	3200	4080	2560	3060	1920
86-124	.5300	3400	4240	2720	3180	2040
125-244	.5400	3600	4320	2880	3240	2160
245-475	.5500	3800	4400	3040	3300	2280



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Page	Line	Statement	Rebuttal
5	12-15	USWC also increased its return on investment in this proceeding. The rate of return used exceeds the 9.7% that was previously agreed upon by parties for access studies.	USWC has agreed to 9.6169% return.
5-6	16-17: 1-2	USWC did not adjust the Part 64 data, i.e., interstate deregulated services, to reflect its recent sale of exchanges. Likewise, it is unclear from the data provided whether USWC adjusted its state deregulated services' data.	An adjustment to the Part 64 data as she suggested would have resulted in a very small revenue requirement increase, and therefore was not worth the effort to include.
6	3-12	USWC may not have revised its special studies used to classify the plant into Part 38 categories to account for the sale of exchanges...	We did not adjust the special studies but our analysis revealed it would have no practical effect.
6	13-15	USWC did not adjust all its traffic separations data to reflect the sale of exchanges.	An analysis of the traffic factors on sheet G of Schedule 1 of Mr. Culp's testimony (Exhibit 3) revealed that these adjustments were small and of no practical effect.
6	18-21	The DEM and SLU data is highly suspect because the difference between the 1995 minutes ("pre-sale") and the 1993 data from the sale of exchanges' Confidential Offering of Memorandum is under-stated.	DEM and SLU data are samples collected in accordance with FCC requirements and are not annualized data.
7	1-3	It appears USWC forecasted data (e.g., revenues), as opposed to using actuals, to estimate the sale of exchanges. USWC should have used actual data.	Revenues are not relevant in this cost study. Actual investment and expenses were not available at the time of the study and were estimated. Actual investments recently became available and are within \$7,000 of the estimate. Actual MOU data were used.
7	4-6	USWC failed to adjust the access charges and billing and collections USWC will pay to the purchasing companies as a result of the sale of exchanges.	Per rules 20:10:28:100 and 20:10:29:36, access charges are excluded from switched access. Per rule 20:10:29:03, billing and collection expense is excluded from switched access.
7	7-10	USWC has increased its costs by arbitrarily shortening its depreciation lives.	USWC has made a pro forma adjustment based on the depreciation lives consistent with the Commission's order approving TC94-121. These depreciation lives are consistent with what AT&T uses (testimony of Mr. Stroub, TC94-121, pages 149-150.)
8	1-2	USWC appears to have understated the originating toll minutes of use for the sold exchanges.	USWC inadvertently applied incorrect factors. The correction would impact the switched access rate by positive \$0.000247.
8	3-4	USWC failed to include the USWC toll minutes that would originate from the independent Telephone Companies' territories.	USWC did not include these minutes because they are not relevant to the USWC study.

Page	Line	Statement	Rebuttal
8	4-7	USWC fails to account for the additional access minutes that USWC's own toll would have for customers that use CLASS services (e.g., call forwarding) in conjunction with their toll services.	She is incorrect. USWC has accounted for these minutes.
8	11-17	USWC failed to account for miscellaneous access revenues.	The rules do NOT require these revenues to be included in the calculation. In any event, the impact on the rate would only be negative \$0.000116.
8-9	18-19 1,2	USWC should also reduce the switched access revenue requirement by the Billing and Collections revenues it receives from the IXC's, and by a comparable amount that USWC's own toll business would incur.	Again, per rule 20:10-29.03, billing and collection is not part of switched access.
9	11-15	According to the 1995 results from the CAAS, USWC reported that Switched Access had a return on Net investment in excess of 70%.	The actual return on investment is 5.42%.
10	7-8	USWC has failed to follow the Commission's imputation rules.	USWC performed the imputation required by rule 20:10-27.05.

CONFIDENTIAL

[4]

TC 96-107

STATE OF SOUTH DAKOTA

AT&T Communications

DATA REQUEST

DATE : 08/20/96

DOCKET NO : TC96-107

REQUEST NO: 01-0008

REQUEST:

From the information provided in response to Data Request No. 7, please provide the adjustments for the sale of exchanges for Account 6540, including changes for originating and terminating expenses and minutes of use on the SDN network. Please also provide the originating and terminating switched access minutes associated with the post-sale expense. Of the post-sale of exchange adjustment in Account 6540, please provide separately the total dollar amount and originating and terminating minutes that were "directly assigned" to interstate interLATA, interstate intraLATA, intrastate intraLATA. In addition, please clearly demonstrate that USWC has adjusted Account 6540 for the sale of exchanges using the 1995 access minutes from the sold exchanges. Please clearly demonstrate that USWC has adjusted the transport expense and demand to reflect meet-point-billing mileage and rates. In addition, please also include the minutes associated with Carrier Common Line Charge (CCLC), switching and transport for toll calls that are call forwarded. Please provide all results, executive summaries, backup details, data inputs, workpapers, descriptions of assumptions, algorithms, factors, weightings, calculations, and any additional information used to adjust the 1995 Account 6540 level.

RESPONSE:

See response to Data Request No. 7, also including the adjustment for the sale of exchanges.

Respondent: Bill Heaston
Title: Senior Attorney

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Cont. 15

STATE OF SOUTH DAKOTA

AT&T Communications

DATA REQUEST

DATE : 08/20/96

DOCKET NO : TC96-107

REQUEST NO: 01-0009

REQUEST:

For Billing and Collections paid by USWC to the ICOs in South Dakota, please provide the 1995 annual expenses and associated messages. Of the 1995 annual billing and collections paid as requested above, please provide the dollar amount and associated messages, separately, that were "directly assigned" to interstate interLATA, interstate intralATA, and intrastate intralATA.

RESPONSE:

U S WEST objects to this data request on the grounds that this information is competitively sensitive and proprietary and would inappropriately provide a competitor such as AT&T with competitively sensitive information. Also, U S WEST objects to the relevancy of this request because Billing and Collection is the cost to USWC to have independent bill and collect USW toll. It is not associated with the USWC cost to provide switched access. This expense is not spread to the switched access elements (i.e., carrier common line, local switching, or transport) pursuant to the South Dakota rules. Also in the PUC computer model, all of the expense is directly assigned to "Billing and Collection" (not carrier common line, local switching, nor transport).

Respondent: Bill Heaston
Title: Senior Attorney

STATE OF SOUTH DAKOTA

AT&T Communications

DATA REQUEST

DATE : 08/20/96

DOCKET NO : TC96-107

REQUEST NO: 01-0010

REQUEST:

From the information provided in response to Data Request No. 9, please provide the adjustments for the sale of exchanges for Billing and Collection. Please provide the additional dollar amount USMC paid to the ICOs and messages for billing and collection associated with the sale of exchanges. In addition, please clearly demonstrate that USMC has adjusted billing and collections for the sale of exchanges using the 1995 access minutes from the sold exchanges. Of the post-sale of exchange adjustments for Billing and Collection, please provide the dollar amount and messages separately, that were "directly assigned" to interstate interLATA, interstate intralATA, and intrastate intralATA. Please provide all results, executive summaries, backup details, data inputs, workpapers, descriptions of assumptions, algorithms, factors, weightings, calculations and any additional information used to adjust the 1995 Billing and Collection for the sale of exchanges.

RESPONSE:

See response to Data Request No. 9, including the adjustment for the sale of exchanges.

Respondent: Bill Heaston
Title: Senior Attorney

STATE OF SOUTH DAKOTA

AT&T Communications

DATA REQUEST

DATE : 08/20/96

DOCKET NO : TC96-107

REQUEST NO: 01-0016

REQUEST:

Please provide the 1995 annual Billed Minutes of Use and annual Revenue for USWC's toll services by each service (e.g., MTS, WATS, 800, 888 Service Line, CCPs, and any other service). In addition, please provide the Billed Minutes of Use for each service by the following:

- a. USWC to USWC traffic;
- b. USWC to Designated (Contract) ICO traffic;
- c. USWC to Originating Responsibility Plan (ORP) Primary Toll Carrier (PTC) ICO traffic;
- d. Designated ICO to USWC traffic;
- e. Designated to Designated ICO traffic.

RESPONSE:

U S WEST objects to this data request on the grounds that the revenue information requested seeks information that is competitively sensitive and proprietary in nature and would not assist anyone in determining switched access rates. U S WEST further objects to the relevancy of the request because toll revenues are not associated with the USWC cost to provide switched access. The PUC computer model has no input for toll revenues as none is called for.

Respondent: Bill Heaston
Title: Senior Attorney

STATE OF SOUTH DAKOTA

AT&T Communications

DATA REQUEST

DATE : 08/20/96

DOCKET NO : TC96-107

REQUEST NO: 01-0017

REQUEST:

Based on the data provided in response to Data Request No. 16, please provide the annual Billed Minutes of Use and annual revenues, adjusted for the sale of exchanges, for USWC's toll services by each service (e.g., NIS, WATS, 800, 800 Service Line, OCPs, and any other service). In addition, please provide the Billed Minutes of Use for each service by the following:

- a. USWC to USWC traffic;
- b. USWC to Designated (Contract) ICO traffic;
- c. USWC to Originating Responsibility Plan (ORP) Primary Toll Carrier (PTC) ICO traffic;
- d. Designated ICO to USWC traffic;
- e. Designated to Designated ICO traffic.

In addition, please clearly demonstrate that USWC has adjusted revenues for the sale of exchanges using the 1995 revenues and minutes from the sold exchanges. Please provide all results, executive summaries, backup details, data inputs, workpapers, descriptions of assumptions, algorithms, factors, weightings, calculations, and any additional information used to adjust the 1995 toll revenues and minutes for the sale of exchanges.

RESPONSE:

See response to Data Request No. 16.

Respondent: Bill Heaston
Title: Senior Attorney

STATE OF SOUTH DAKOTA

AT&T Communications

DATA REQUEST

DATE : 08/20/96

DOCKET NO : TC96-107

REQUEST NO: 01-0027

REQUEST:

Given USWC is proposing to increase switched access rates and USWC toll services will be impacted by the sale of exchanges, please provide the toll price floors (e.g., price imputation plus the remaining service specific TSLRIC inputs) for each of USWC's toll services (e.g., MTS, 800, 800 Serviceline, WATS, "Best Deal", City Connection, Volume Connection, Business Connection, State Value, contract toll, and any other services). Please provide all workpapers, calculations, and assumptions including changes due to the sale of exchanges (e.g., changes in traffic patterns, increases in access charges and billing and collections that USWC will have paid the purchasers of the exchanges, and any other services). In addition, please provide the following annual data for the most recent 12 months or 1995:

- a. Bell-Bell toll revenue by each service (excluding operator service and calling card revenues);
- b. Bell-ILEC toll revenues by each service (Ibid);
- c. ILEC-Bell toll revenues by each service (Ibid);
- d. Designated Carrier ILEC-ILEC toll revenues by each service (Ibid);
- e. Bell-Bell toll minutes by each service;
- f. Bell-ILEC toll minutes by each service;
- g. ILEC-Bell toll minutes by each service;
- h. Designated Carrier ILEC-ILEC toll minutes by each service;
- i. USWC to Originating Responsibility Plan ILEC toll minutes by each service;
- j. Bell-Bell toll messages by each service;
- k. Bell-ILEC toll messages by each service;
- l. ILEC-Bell toll messages by each service;
- m. Designated Carrier ILEC-ILEC toll messages by each service;
- n. Conversion factors by service to convert toll minutes to access minutes;
- o. LRIC cost studies, by service, for Billing and Collection, Marketing/ Administration, Measurement Polling, 800 CIC, Message Set up for MTS, 800 and WATS cost per conversation minutes for tandem switching, facilities, and termination;
- p. Meet Point Billing for Local Transport, the associated percentage and rate and intrastate percent ownership adjusted for the sale of exchanges;
- q. USWC prices for LS2. Originating and Terminating CIC, Local Transport, SDN rates, and 800 database query charges;

STATE OF SOUTH DAKOTA

AT&T Communications

DATA REQUEST

DATE : 08/20/96

DOCKET NO : TC96-107

REQUEST NO: 01-0027

- r. copies of EOY 1995 Toll12, TUT EOY 1995, BOCNIS EOY 1995, FREE EOY 1995, READ, and KT80 reports for toll service;
- s. EOY 1995 access minutes and switched expenses that USMC paid to the ILECS for the following:
 - 1. Designated Carrier Originating Access
 - 2. Designated Carrier Terminating Access
 - 3. Originating Responsibility Plan Terminating Access
- t. EOY 1995 billing and collections messages and expenses that USMC paid to the ILECS for the following:
 - 1. Designated Carrier Originating Access
 - 2. Designated Carrier Terminating Access
 - 3. Originating Responsibility Plan Terminating Access
- u. EOY 1994 toll minutes by service;
- v. Routing factors, Attempts/Message ratios NCTA/Attempt ratios by service;
- w. complete copy of the toll priceout used to develop the toll reduction. Please clearly identify the toll revenues that USMC received from the ILECS and also include the workpapers that were used to adjust the revenues for the sale of exchanges.

RESPONSE:

U S WEST objects to this data request on the grounds that USMC has only filed a switched access cost study pursuant to South Dakota rules and USMC is not proposing to change toll rates in this docket. The information is not relevant and would not lead to the discovery of admissible evidence. U S WEST also objects that the information sought is proprietary and confidential.

Respondent: Bill Measton
Title: Senior Attorney

UNITED STATES OF AMERICA
DEPARTMENT OF COMMERCE

U.S. WEST COMMUNICATIONS
FINANCIAL STATEMENTS

FOR THE YEAR ENDING
DECEMBER 31, 1995

	1995 DECEMBER ACCESS	1994 TOTAL GEN	1993 TOTAL GEN	1992 TOTAL GEN	1991 TOTAL GEN
REVENUE					
1 LOCAL SERVICE	0	72,495	0	0	72,495
2 INTERSTATE ACCESS	0	0	0	0	0
3 INTRASTATE ACCESS	6,621	185	0	0	6,676
4 LONG DISTANCE	364	0	0	0	654
5 MEMO REVENUE	8,716	2,446	2,500	13,562	13,562
6 MISCELLANEOUS	-654	-2,817	0	0	-3,473
7 TOTAL REVENUE	15,235	72,779	2,500	90,514	90,514
EXPENSES					
COST OF GOODS SOLD					
8 MAINTENANCE	2,857	13,360	0	16,217	16,217
9 MEMO EXPENSE	173	1,078	0	1,251	1,251
0 ENGINEERING	578	2,477	0	3,055	3,055
1 NETWORK OPERATIONS	648	2,722	0	3,370	3,370
2 NETWORK ADMINISTRATION	43	240	0	283	283
3 ACCESS	30	0	0	30	30
4 OTHER	-16	-70	0	-86	-86
5 TOT COST OF SVC & PROD	4,313	19,807	0	24,120	24,120
SELLING, GEN & ADMIN					
6 CUSTOMER OPERATIONS	1,254	8,499	0	9,753	9,753
7 CORPORATE OPERATIONS	1,886	9,633	0	11,519	11,519
8 PROP & OTHER OF TAXES	767	3,610	0	4,385	4,385
9 UNCOLLECTIBLES	39	300	0	339	339
0 TOT SELL, GEN & ADMIN	3,946	22,050	0	25,996	25,996
1 OTHER OF INCOME & EXPENSE	123	621	0	744	744
2 DEPRECIATION & AMORT.	5,000	20,698	0	25,699	25,699
3 TOTAL OPERATING EXPENSES	13,382	63,176	0	76,558	76,558
4 INC FROM OP BEFORE TAXES	1,853	9,603	2,500	13,956	13,956
INCOME TAXES					
5A MEMO TAXES	2,999	479	875	4,344	4,344
5B FEDERAL TAXES	-2,981	382	0	-2,600	-2,600
6 STATE AND LOCAL	0	0	0	0	0
7 INCOME AFTER INCOME TAXES	1,764	8,023	1,625	12,212	12,212
8 INTEREST EXPENSE	1,074	5,037	0	6,111	6,111
9 NON-OP INCOME & EXPENSES	0	0	0	0	0
0 INC BEFOR AIR DIFF & EXTR	490	3,786	1,625	6,100	6,100
1 AIRS DIFF & NONRES NET INC	0	-3	0	-3	-3
2 EXTRAORDINARY ITEMS	0	0	0	0	0
3 NET INCOME	490	3,783	1,625	6,103	6,103
PLANT IN SERVICE	75,954	320,000	0	414,034	414,034
4 PLT UNDER CONSTRUCTION	324	2,643	0	2,149	2,149
5 PLT FOR FUT USE & PLT ADJ	0	0	0	0	0
6 MATERIAL & SUPPLIES	27	257	0	215	215
7 DEPRECIATION RESERVE	37,349	180,344	0	172,910	172,910
8 ACC DEFERRED INC TAX	4,394	20,494	0	24,007	24,007
9 NET INVESTMENT	32,575	180,695	0	197,076	197,076
0 OPER RTR ON INV 0.1	5.62	5.73	0.00	6.64	6.64

NOTE: 02-0.1 02-2.1 02-3.1

REMARK: 02-0.1 02-2.1 02-3.1

CONFIDENTIAL - DISCLOSE AND DISSEMINATE ONLY TO U.S. WEST COMMUNICATIONS EMPLOYEES HAVING A NEED TO KNOW

CONFIDENTIAL

DISCLOSED AND DISSEMINATED ONLY
TO U.S. WEST COMMUNICATIONS EMPLOYEES

1995 South Dakota Results
Non-Competitive Services

29

LAW OFFICES

RITTER, MAYER, HOFER, WATTELL & BROWN

Professional & Executive Building

319 South Colfax Street

P.O. Box 280

Pierre, South Dakota 57501-0280

B. C. RITTER (1912-1994)

E. B. MAYER

ROBERT D. HOFER

ROBERT C. RITTER, JR.

JERRY L. WATTELL

JOHN L. BROWN

DAVID A. PREIFER

October 17, 1996

RECEIVED

Mr. William Bullard, Jr.

Executive Director

S.D. Public Utilities Commission

500 E. Capitol

Pierre, S.D. 57501

Re: TC 96-107

In the Matter of the Establishment

of Switched Access Rates for U.S.

West Communications, Inc.

Dear Mr. Bullard,

Herewith hand delivered to you please find eleven copies of

Midco Communications' late filed exhibit number 20, constituting

Midco's intrastate and interstate rates and minutes of use.

Midco requests confidential treatment of this information.

pursuant to ARSD 20:10:01:41.

Midco further requests confidentiality for as long as this

information remains with the Commission. When the Commission no

longer has a need for this information, Midco requests the same

be returned to the undersigned. Midco requests confidential

treatment under SDCL 19-13-20, as well as any other statutes

and/or rules or protocols relating to proprietary/trade secret

information. Midco further requests that this information be

disclosed only to the Commissioners and those members of its

staff whose advice to the Commission would be essential. Midco

requests that none of this information be published in any form

whatsoever and should remain confidential after the return of the

information to Midco.

By copies of this letter to the other parties involved, I am

advising them that this document has been filed under seal.

Thank you.

Sincerely,

RITTER, MAYER, HOFER, WATTELL &
BROWN

By:

964

30

DAP-dp

Enclosures

cc: William P. Heaston
Brian B. Meyer
Donald A. Low
Thomas J. Welk
John S. Lovald
David A. Gerdes
Robert Marnet

LIVED
JUL 1988
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE ESTABLISHMENT) TC 96-107
OF SWITCHED ACCESS RATES FOR US) MIDCO COMMUNICATIONS
WEST COMMUNICATIONS, INC.) INTRASTATE AND INTER-
STATE RATES AND MINUTES
OF USE

NOTICE

The information in this file is designated confidential under Chapter 20:10:01 of the rules of the South Dakota Public Utilities Commission. Disclosure of any such confidential information to a person other than commission members, employees, or agents is prohibited unless otherwise permitted by the commission.

CONFIDENTIAL

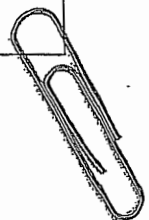
[3]

continuation

16



of pages



LAW OFFICES
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D. E. WATTIER, III
S. A. MAYER
ROBERT S. HOFER
ROBERT C. RITER, JR.
JERRY L. WATTIER
ARIEL BROWN

DAVID A. HUFFLE

October 18, 1996

Mr. William Bullard, Jr.
Executive Director
S.D. Public Utilities Commission
300 E. Capitol
Pierre, S.D. 57501

RECEIVED
OCT 22 1996
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Re: TC 96-107
In the Matter of the Establishment
of Switched Access Rates for U.S.
West Communications, Inc.

Dear Mr. Bullard,

Herewith hand delivered to you please find eleven copies of
TelServ's addendum to their late filed exhibit number 22,
TelServ's minutes of use. TelServ requests confidential
treatment of this information, pursuant to ARSD 20:10:01:41.

TelServ further requests confidentiality for as long as this
information remains with the Commission. When the Commission no
longer has a need for this information, TelServ requests the same
be returned to the undersigned. TelServ requests confidential
treatment under SDCL 19-13-20, as well as any other statutes
and/or rules or protocols relating to proprietary/trade secret
information. TelServ further requests that this information be
disclosed only to the Commissioners and those members of its
staff whose advice to the Commission would be essential. TelServ
requests that none of this information be published in any form
whatsoever and should remain confidential after the return of the
information to TelServ.

By copies of this letter to the other parties involved, I am
advising them that this document has been filed under seal.
Thank you.

Sincerely,

RITER, MAYER, HOFER, WATTIER &
BROWN

By:

David A. Huffle

SAP-dp

EXHIBIT

969

22

Enclosures

cc: William P. Heaston
Brian B. Meyer
Donald A. Low
Thomas J. Welk
John S. Lovald
David A. Gerdes
Robert Marmet

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE ESTABLISHMENT
OF SWITCHED ACCESS RATES FOR US
WEST COMMUNICATIONS, INC.

) TC 96-107
) TELSERV'S ADDENDUM TO LATE
) FILED EXHIBITS

RECEIVED

DEC 1 1996

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

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